



Merit Packaging Limited
A Lakson Group Company



A Lakson Group Company

PACKAGING FOR
PROGRESS

ANNUAL REPORT 2021









INITIATING THE TURN AROUND TO PACKAGING EXCELLENCE

Merit Packaging Limited (MPL) is an eminent player in Printing Industry. It guides and supports its customers with its exceptional expertise and proficiency throughout the process from initial idea to the final product. Over the period of time, MPL has maintained one particular ideology;

“To deliver the world-class packaging solutions to its valuable customers”

The Company offers distinctive packaging material at a market competitive price.

Packaging solutions range from Box Board to Film Wrappers.



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**“WELCOME TO THE
COMPANY”**

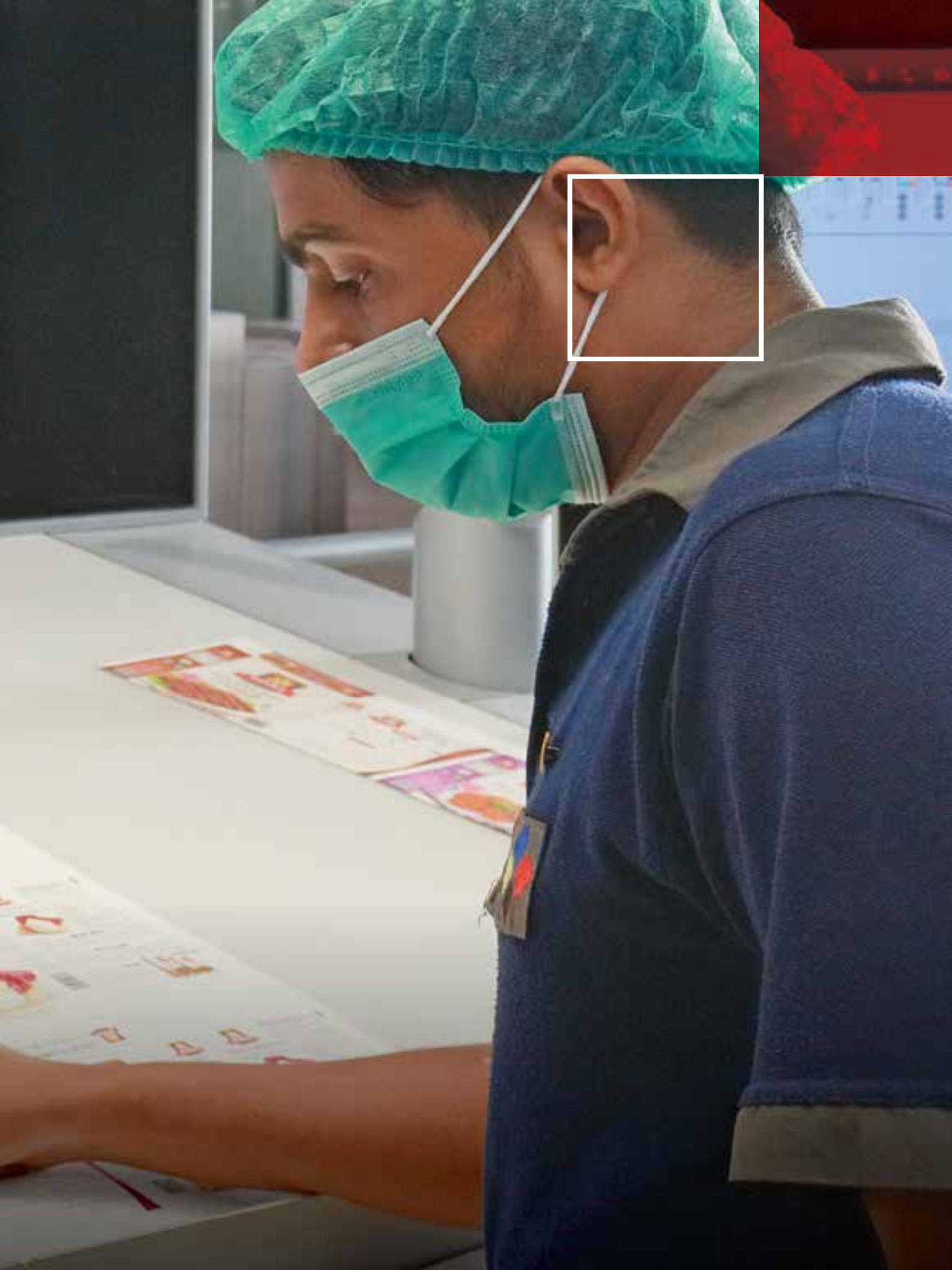
VISION

To be a worldwide recognized and diversified entity with a brand of trust, integrity, excellence and innovation.

MISSION

To deliver comprehensive, sustainable and innovative solutions through a diversified portfolio of packaging designs that maximizes value for it's clients, employees and other stakeholders.





About This Report



Reporting Period

The information is reported for the period from July 01, 2020 to June 30, 2021 with respective comparative figures.

Scope and Boundary

The Report predominantly covers financial & other information including group structure, corporate information & production processes.

Management Responsibility

To optimise governance oversight, risk management and controls, the contents of this Report have been reviewed by the Senior Executives of the Company, including Chief Executive Officer, Chief Financial Officer and Internal Auditor.

Independent Assurance

Assurance on financial statements has been provided by independent auditors BDO Ebrahim & Co. Chartered Accountants. The report is available on page 97 for your reference.

MPL Approach to Reporting

The Annual Report provides quantitative and qualitative disclosures on relationships with the stakeholders and how leadership, culture and strategy are aligned to deliver value while managing risks and changes in the external environment. The Report continues to evolve towards enhanced disclosures to meet the expectations of the investors and other stakeholders.

FORWARD-LOOKING STATEMENTS

Certain statements in the Report regarding MPL business operations may constitute forward-looking statements. These include all statements other than statements of historical facts, including those regarding the financial position, business strategy, management plans and objectives for future operations. Forward-looking statements can be identified by words such as ‘believes’, ‘estimates’, ‘anticipates’, ‘expects’, ‘intends’, ‘may’, ‘will’, ‘plans’, ‘outlook’ and other words of similar meaning in connection with a discussion of future operational or financial performance. Forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised, and as such, are not intended to be a guarantee of future results, but constitute our current expectations based on reasonable assumptions. Actual results could differ materially from those projected in any forward-looking statements due to various events, risks, uncertainties and other factors. We neither assume any obligation nor intend to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.





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compressed air

Labthink®

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PERME 1000

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**“OUR
CORE VALUES”**

A close-up photograph of several light-colored wooden blocks arranged in a row on a wooden surface. The blocks in the foreground are in sharp focus, while those in the background are blurred. The word "MERIT" is spelled out using the letters on the top faces of the blocks.

M

E

R

I



T

M Motivation

E Excellence

R Responsibility & Safety

I Innovation

T Teamwork

P Passion

A Adaptive

C Commitment to Customers

K Knowledge Acquisition

A Accountability

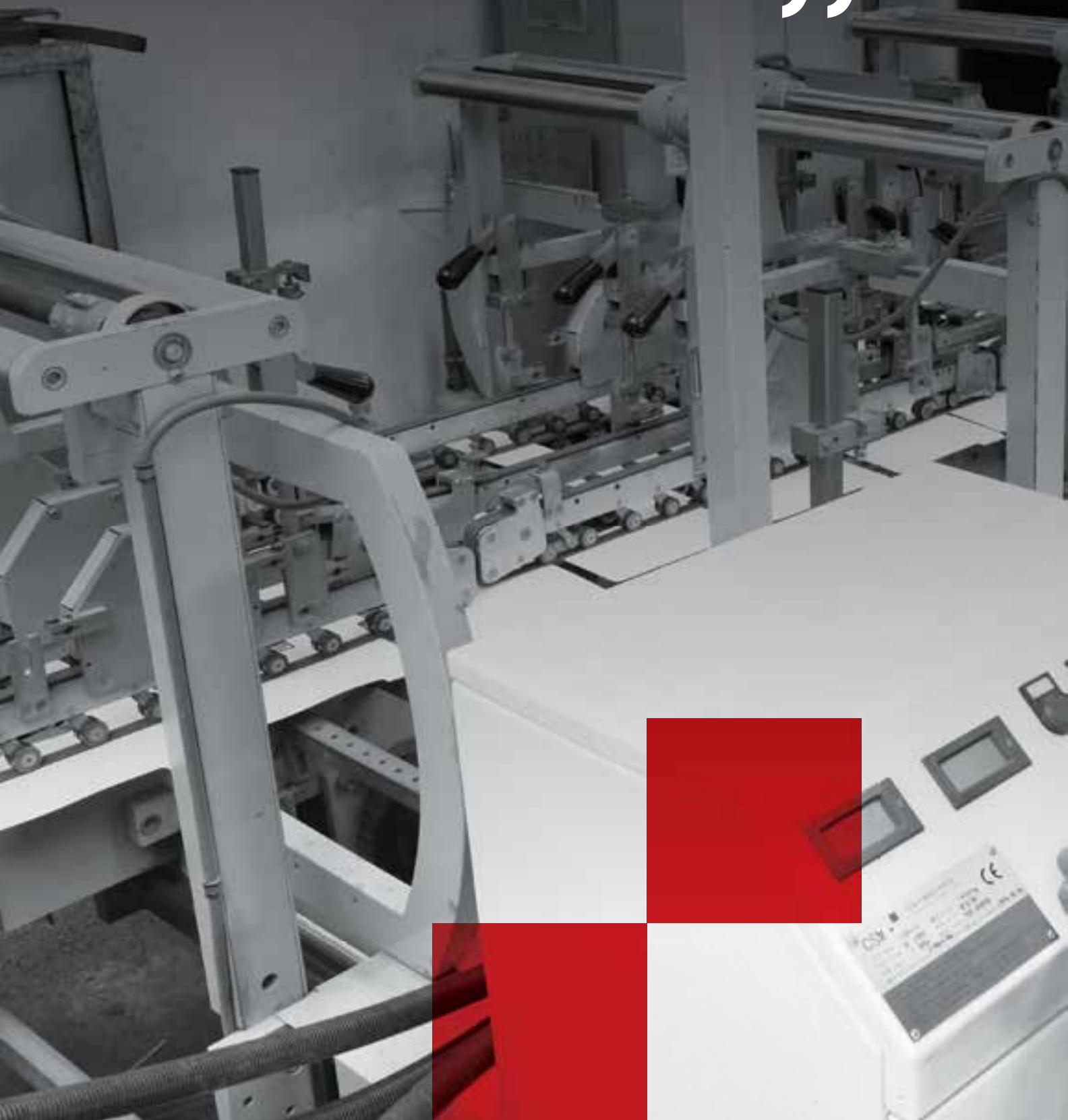
G Growth

I Integrity

N Nurturing

G Goal Orientation

“OUR CODE OF CONDUCT”





Diversity & Inclusion

MPL continues to place significant importance on Diversity and Inclusion (D&I) in the workplace and is committed to encouraging equality, diversity and inclusion among its workforce, thus and eliminating unlawful discrimination. The aim is for the company workforce to be truly representative of all sections of society and its customers, and for each employee to feel respected and able to give their best.

Corporate Governance

MPL complies with laws, rules and regulations applicable to the Company including but not limited to the Companies Act 2017, Rule Book of the Stock Exchange and insider trading laws.

Reporting of any Possible Illegal or Unethical Behaviour

MPL promotes ethical behaviour; encourages employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation; encourages employees to report violations of laws, rules, regulations, Policies and procedures or the Company's Code of Conduct to appropriate personnel.

Transparent Financial Policies

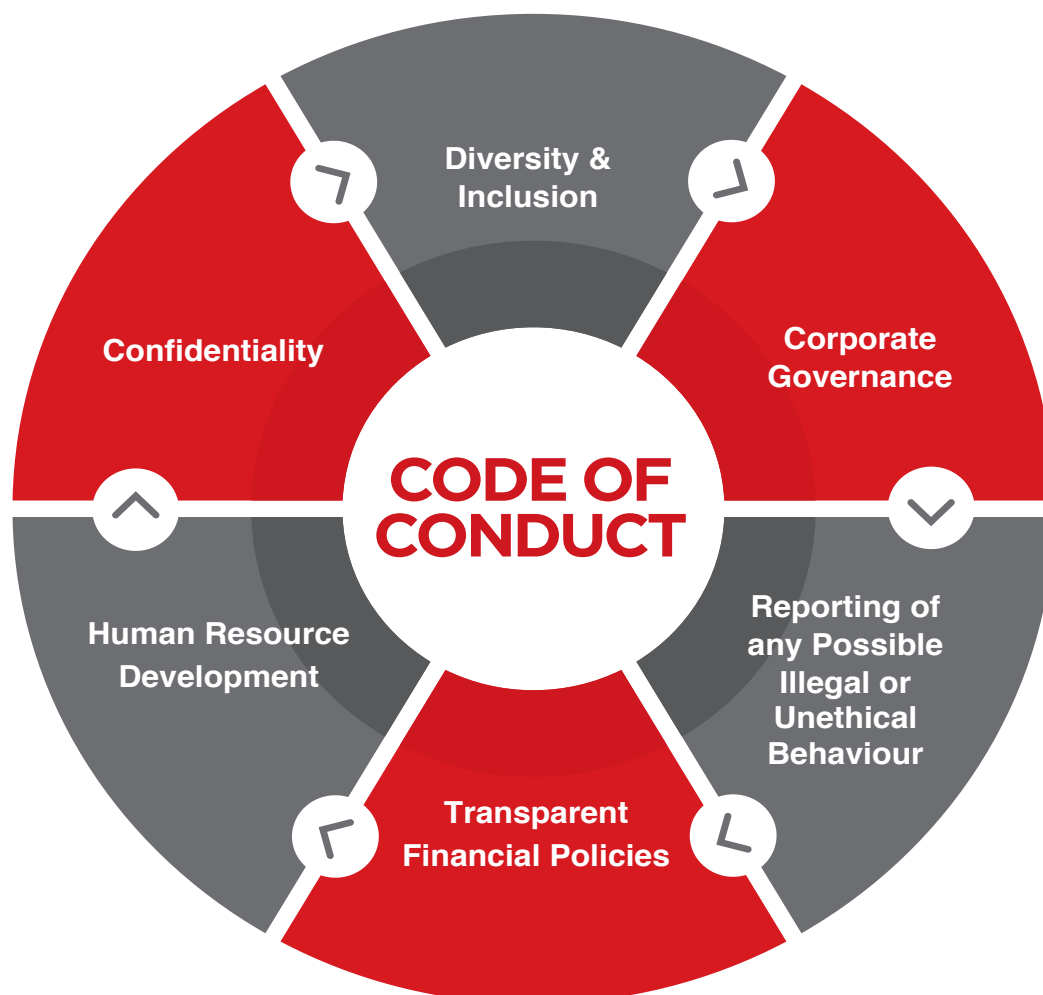
MPL develops fair and transparent financial policies for conducting business. Thus, ensures transparency, integrity and follow the principles of accounting approved by regulations and contemporary accounting codes as well. Any unsupportive or false entry, infringement of accounts for individual or company gain is strongly incoherent with our business codes and ethics is not acceptable. MPL has been consistently providing disclosures under relevant Framework. Also, update website periodically to enhance transparency. The disclosures are then updated on quarterly basis.

Confidentiality

MPL designed confidentiality policy to explain how it expects its employees to treat confidential information. Employees will unavoidably receive and handle personal and private information about clients and the company. MPL wants to make sure that the confidential information is well-protected. Confidential information includes any information which is not publicly known. It includes information which is commercially valuable such as trade secrets or business information, as well as personal information. Employees and personnel must keep business information confidential, may use solely for the purposes of performing their duties; and may only disclose confidential information to persons who are aware that the confidential information must be kept confidential and who have a need to know (but only to the extent that each person has a need to know).

Human Resources Development

MPL believes to build a strong organizational culture that is shaped by empowered employees who demonstrate a deep belief in its vision and values. Therefore, Human Resource Management (HRM) is an integral part of our business strategy. MPL fosters leadership, individual accountability and teamwork. The main components of HRM policy are: selecting the right person, with the right experience, at the right time, offering the right compensation; developing management philosophies and practices to promote and encourage motivation and retention of the best employees; recognizing and rewarding employees; fostering the concept of team work and synergetic efforts; encouraging and supporting team concepts and team building techniques; nurturing a climate of open communications between management and employees; providing safe, secure and healthy working environment; ensuring that employees are not discriminated on any grounds other than effective job performance; promoting environment free from any fear to exploit the best potential; proper segregation of function and duties to avoid concentration of information, power and authority; sharing of information on need to know basis; and, ensuring that entitlement and benefits as far possible should be clearly specified to avoid element of discretion.







“ **CORPORATE & CULTURAL
STRATEGY** ”

A black and white photograph of a hand holding a white chess king piece. The hand is positioned at the top, with fingers gripping the piece. The king piece is held vertically, showing its crown and tiered body. In the background, other chess pieces are visible on a dark surface, which appears to be a chessboard. The lighting is dramatic, highlighting the textures of the hand and the piece.

CORPORATE STRATEGY

MPL provides different types of consistently high quality packaging solutions, according to the ever demanding requirements of the packaging industry. The Company's strategy is to remain competitive in the market through quality and efficient operations. As a responsible member of the community, MPL is committed to serve the interests of it's stakeholders and contribute towards the prosperity of the Country.

The main Corporate Strategies are:

1. Growth

- Sustainable growth through providing solutions to business challenges.
- Technology and business synergies
- Agile response to changes in business environment

2. Profitability Efficiency

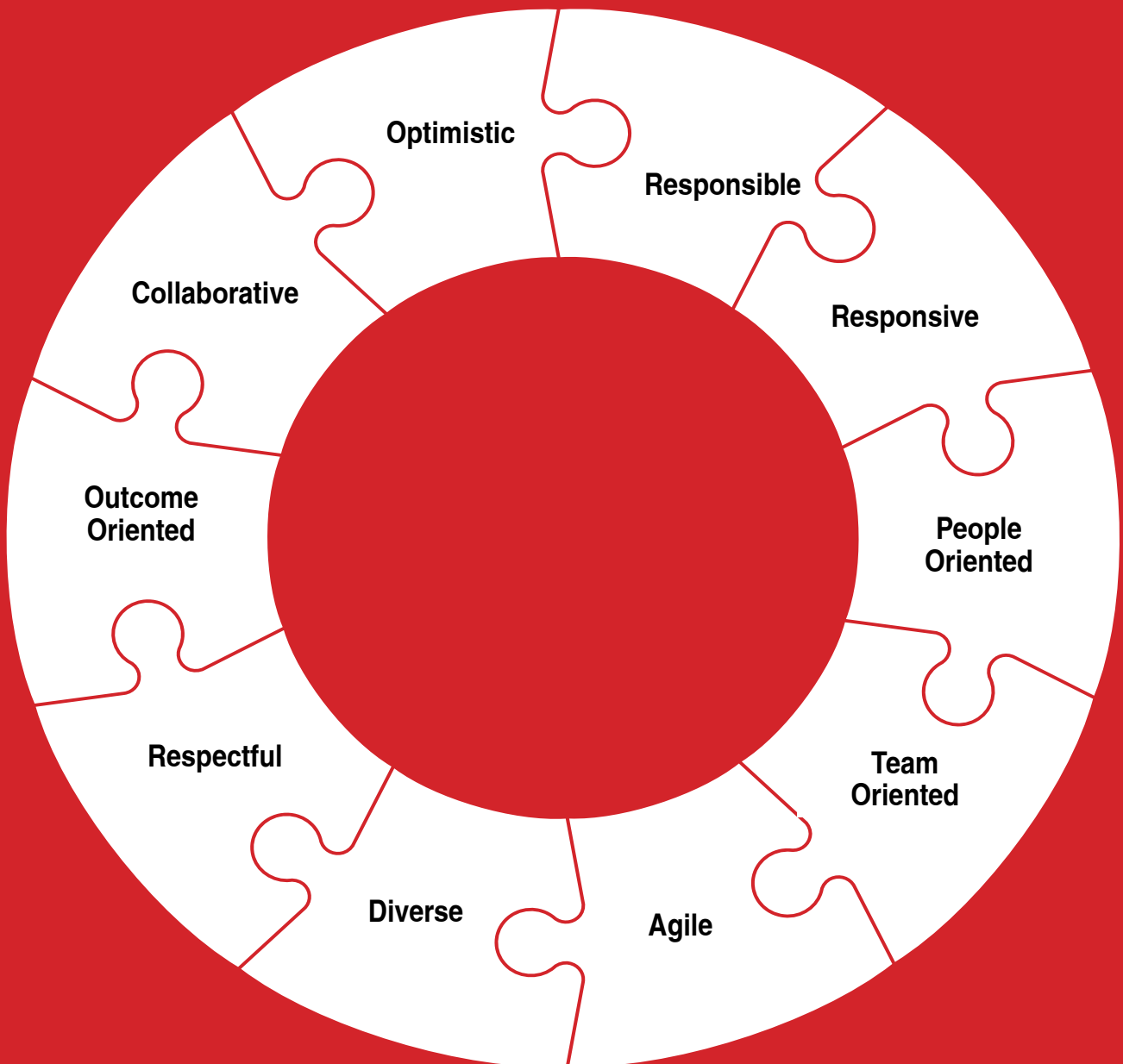
- Enhance capital efficiency
- Utilization of natural resources and energy efficiently
- Create a stronger business foundation

3. Soundness

- Constantly review and refresh business portfolio
- Achieve sound financial statements
- Strengthen corporate governance and compliance on a continuous basis.

CULTURAL STRATEGY

MPL always strives to build a business that is as relevant and impactful tomorrow as it is today, that is called a culture of agility. MPL strives to create a valuable company culture which makes employees more optimistic about working and progressing within the company, more collaborative and more engaged in their work and environment in line with Company's vision and values. The Company is also committed to be an ethical and a responsible member of the business communities in which it operates. MPL always tries to ensure that highest standards of honesty, integrity and ethics are maintained. The strategy describes the plan of action which is designed in such a way to achieve the overall aim that shows a strong and attractive organizational culture.







GROUP STRUCTURE

Since its inception, the Lakson Group has continuously strengthened and diversified its lines of operations. The Lakson Group (“Lakson”) was established in 1954 and is one of the largest business groups in Pakistan. Today they manage and own companies that are industry leaders in their respective sectors including traveling business, consumer non-durables, fast food, financial services, media, paper and board, printing and packaging, surgical instruments and technology (data-networking, BPO and software). Details and brief profile of other leading group companies are as follows:



1. TECHNOLOGY INDUSTRIES

CYBERNET

It is a leading internet and Data Communication Network Service Provider in Pakistan. The Company focuses on providing specialized solutions for different enterprises with end to end solutions.

RAPIDCOMPUTE

It offers a high performing, standards-based, flexible and robust cloud solution. It is our core belief that provisioning and managing virtual machines should be a familiar and easy process.

STORMFIBER

It is Pakistan's most reliable fiber to the home internet and television service provider. Powered by Cybernet, StormFiber is an effort to raise the bar for what consumers expect from home based services.

SYBRID (PVT.) LIMITED

It stands among the premier business process outsourcing (BPO) and technology solution companies maintaining its origin in Pakistan; serving in three countries; Pakistan, UAE and USA, catering a diverse array of customers.

LAKSON BUSINESS SOLUTIONS

It is a promising IT solution provider of Pakistan with strong emphasis on customer needs, providing them with IT solutions that not only cater to their current needs but are also designed to handle future enhancements.

ICE ANIMATIONS

It is the largest VFX and animation house in Pakistan; with over a decade worth of experience, and a decorated portfolio comprises of International television commercials and animated television shows.

2. MEDIA HOUSES

EXPRESS NEWS

It is an Urdu language Pakistani television news channel and part of Express Media Group. The Express News is among the leading news and current affairs channel of Pakistan.

EXPRESS ENTERTAINMENT

It is a Pakistani entertainment television channel that airs dramas, soaps and lifestyle programs. Express Entertainment is part of Express Media Group.

THE DAILY EXPRESS

Pakistan's most widely circulated Urdu-language newspapers, published by Century Publications simultaneously printed and distributed from 10+ cities in Pakistan.

THE EXPRESS TRIBUNE

It is a major daily English-language newspaper based in Pakistan and country's only internationally affiliated newspaper, in partnership with International New York Times.

3. FINANCIAL SERVICE INDUSTRIES

CENTURY INSURANCE COMPANY LIMITED

It was commenced as a general insurance business in 1989 is a progressive and customer centric company that believes strongly in establishing long-term relationships with its clients and re-insurers.

LAKSON INVESTMENTS LIMITED

It is Pakistan's largest independent asset manager with over \$300 million under management. It offers investments in Fixed Income, Public Equity, Tactical Asset Allocation, Private Equity and Venture Capital Funds etc.

4. PAPER AND PACKAGING

CENTURY PAPER AND BOARD MILLS

It started commercial production in 1990 and established its name as major producer of quality Packaging boards in the country. It is Market Leader in Packaging Boards in particular and is considered as most Preferred Supplier to Printing and Packaging Industry.

MERIT PACKAGING LIMITED

It is a well-known name in the printing and packaging industry of Pakistan since the last four decades. MPL serves its customers Offset and Gravure Packaging requirements with the help of a dedicated team of skilled employees.

5. FAST MOVING CONSUMER GOODS COMPANIES

COLGATE-PALMOLIVE COMPANY PAKISTAN

It is engaged in the manufacture and sale of detergents, personal care and other related products. The Company's principal classes of products include Personal Care, Home Care and Others.

AJINOMOTO LAKSON PAKISTAN PVT. LTD

It is a joint venture between Ajinomoto Co. Inc. Japan (which produces seasonings, cooking oils, TV dinners, sweeteners, amino acids, and pharmaceuticals) and Lakson Group, Pakistan leading business group.

6. FOOD

MCDONALD'S PAKISTAN

McDonald's has vast number of restaurants in major cities of Pakistan; where everyday millions of Pakistanis place their trust in McDonald's to provide them with food of a very high standard, quick service and value for money.

ANCHOR COMMODITIES

It understands the importance of nutrition and taste, and is committed to provide the highest quality bread products to Pakistan. It deals with advance irrigation system to incorporate features that have a capacity to meet consumer needs.

7. TRAVEL

PRINCETON TRAVELS (PVT) LIMITED & TOURS

It was incorporated in 1992 and is an IATA accredited travel agency and active member of International travel forums like ASTA, PATA, UFTAA & TAAP.

8. MEDICAL EQUIPMENT

ACCURAY SURGICALS LIMITED

It has been manufacturing highest quality instruments for the export markets around the globe US, UK, Germany, Japan, France, Italy, Denmark & Australia have been Accuray's prime markets for its world class products.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Iqbal Ali Lakhani (**Chairman**)

Mr. Amin Mohammed Lakhani

Ms. Anushka Lakhani

Mr. Farrukh Shauket Ansari

Mr. Aftab Ahmad (From May 04, 2021)

Mr. Ahmed Munaf (From May 04, 2021)

Mr. Ali Asrar Hossain Aga (From May 04, 2021)

Mr. Tasleemuddin Ahmed Batlay (Upto May 04, 2021)

Mr. Shaikh Muhammad Barinuddin (Upto May 04, 2021)

Mr. Sheikh Asim Rafiq (Upto May 04, 2021)

Mr. Moin M. Fudda (Upto May 04, 2021)

ADVISOR

Mr. Sultan Ali Lakhani

AUDIT COMMITTEE

Mr. Farrukh Shauket Ansari (**Chairman**)

Mr. Amin Mohammed Lakhani

Mr. Ahmed Munaf

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Ali Asrar Hossain Aga (**Chairman**)

Mr. Amin Mohammed Lakhani

Mr. Amir Ahmed Chapra

CHIEF EXECUTIVE OFFICER

Mr. Amir Ahmed Chapra

CHIEF FINANCIAL OFFICER

Mr. Muhammad Sohail

COMPANY SECRETARY

Mr. Mansoor Ahmed

AUDITORS

BDO Ebrahim & Co.
Chartered Accountants

BANKERS - CONVENTIONAL

Askari Bank Limited
Habib Bank Limited
National Bank of Pakistan
Soneri Bank Limited
JS Bank Limited
MCB Bank Limited

BANKERS - ISLAMIC

Meezan Bank Limited
United Bank Limited – Ameen
Al-Baraka Bank (Pakistan) Limited
BankIslami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited - Islamic Banking
MCB Islamic

SHARES REGISTRAR

FAMCO Associates (Private) Limited

8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi.

Website : www.famco.com.pk | Email : info.shares@famco.com.pk

Phone : (021) 34380101- 5 | Fax : (021) 34380106

REGISTERED & HEAD OFFICE

Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi-74200, Pakistan.

KARACHI FACTORY

17-B, Sector 29, Korangi Industrial Area, Karachi.

MARKETING DIVISIONS

Karachi Factory | Lahore Office

CONTACT US

UAN: +9221 38892147 Ext. 1014, 1008 | Phone Number: 0341-2464451

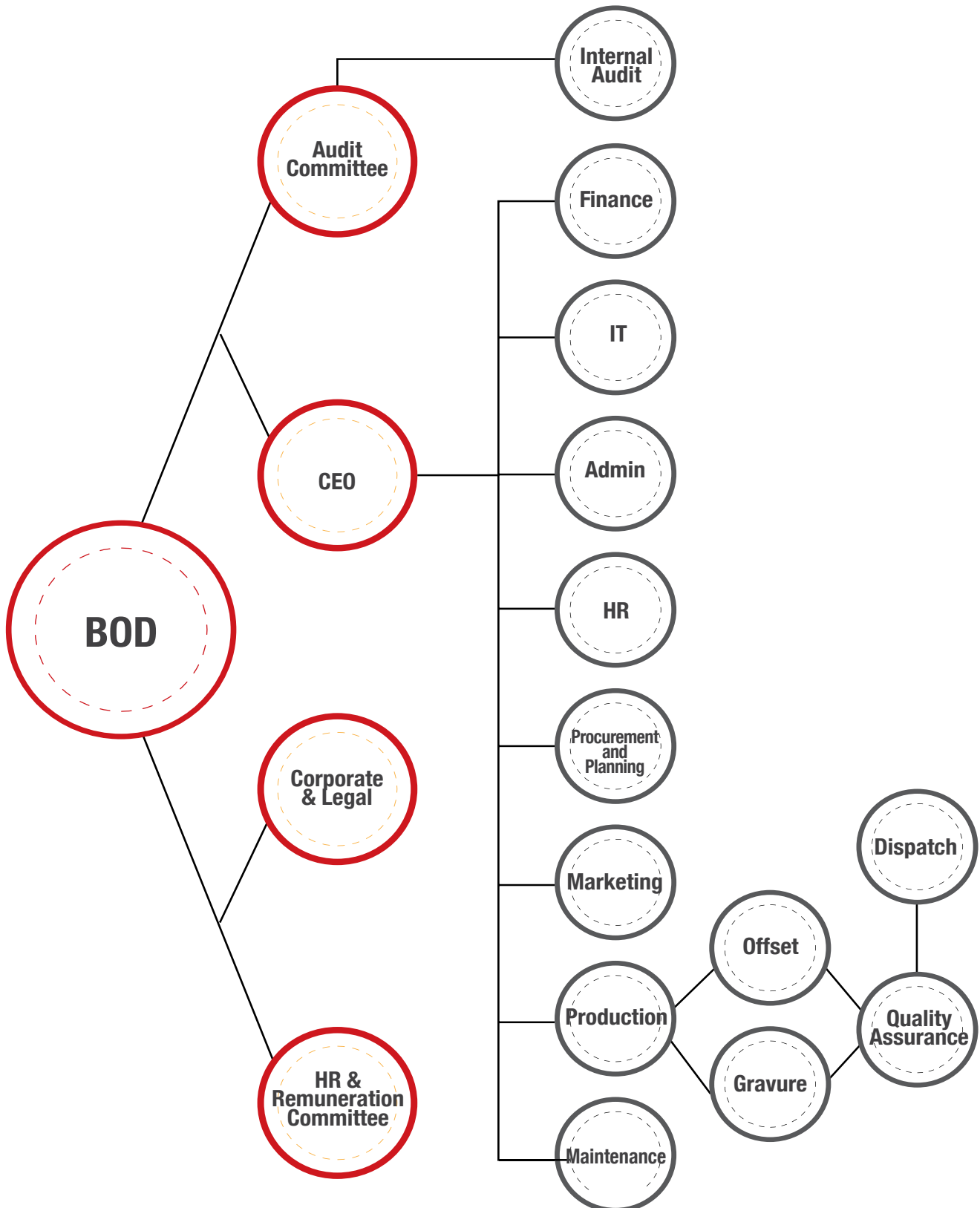
Email: info@meritpack.com | Web: www.meritpack.com



TEAM
WORK



ORGANIZATIONAL STRUCTURE - ORGANOGRAM







**“OUR INSPIRING
BUSINESS”**

OUR PRODUCTS

OFFSET PRINTING

Offset printing is a commonly used printing technique in which the inked image is transferred (or “offset”) from a plate to a rubber blanket, then to the printing surface. When used in combination with the lithographic process, which is based on the repulsion of oil and water, the offset technique employs a flat (planography) image carrier. Ink rollers transfer ink to the image areas of the image carrier, while a water roller applies a water-based film to the non-image areas. The modern “web” process feeds a large reel of paper through a large press machine in several parts, typically for several meters, which then prints continuously as the paper is fed through.





ROTOGRAVURE

Rotogravure (or gravure for short) is a type of intaglio printing process, which involves engraving the image onto an image carrier. In gravure printing, the image is engraved onto a cylinder because, like offset printing and flexography, it uses a rotary printing press.

Our Customers

MPL customers base is majorly within Pakistan. This represents a wide range of sectors including consumer goods, food and beverage, confectionery and tobacco. The clients includes well-known brands such as Nestle Pakistan, Colgate, PMI, Tapal Tea, Unilever and National Foods. MPL provides it's customers with a variety of printed products such as folding boxes and wrappers for different brands of tea, soaps, spices and detergent. The in-house art department enable to design these products on site, using state-of-the-art printing and packaging equipment.



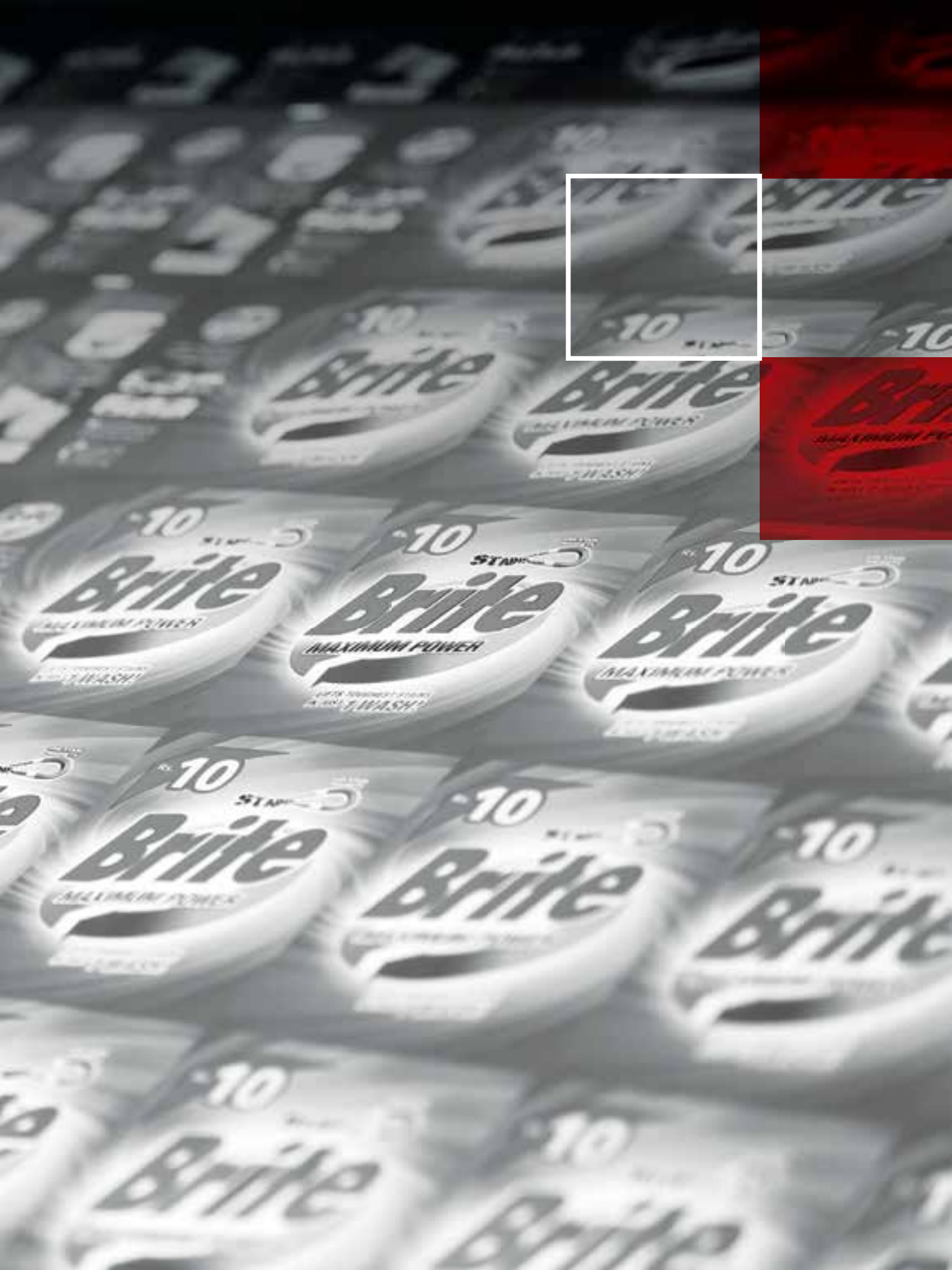
Our Employees

MPL believes that key to productive and efficient workforce is keeping them happy by continuously providing them chances to improve upon their skills. MPL makes investments in its employees such as employees are sent on numerous trainings, both locally and abroad, such as training on Gas Chromatography, WVTR/ OTR, Blown Film, Machine Inspections, etc. MPL also obtained various ISO certifications, and employees were provided training on ISO 22000, PAS 223, risk assessment (fire and evacuation), EMS ISO 14001, and many others. The company focuses on building employee skills in order to bring out their optimum potential.



“GEOGRAPHICAL
CLIENTELE,”

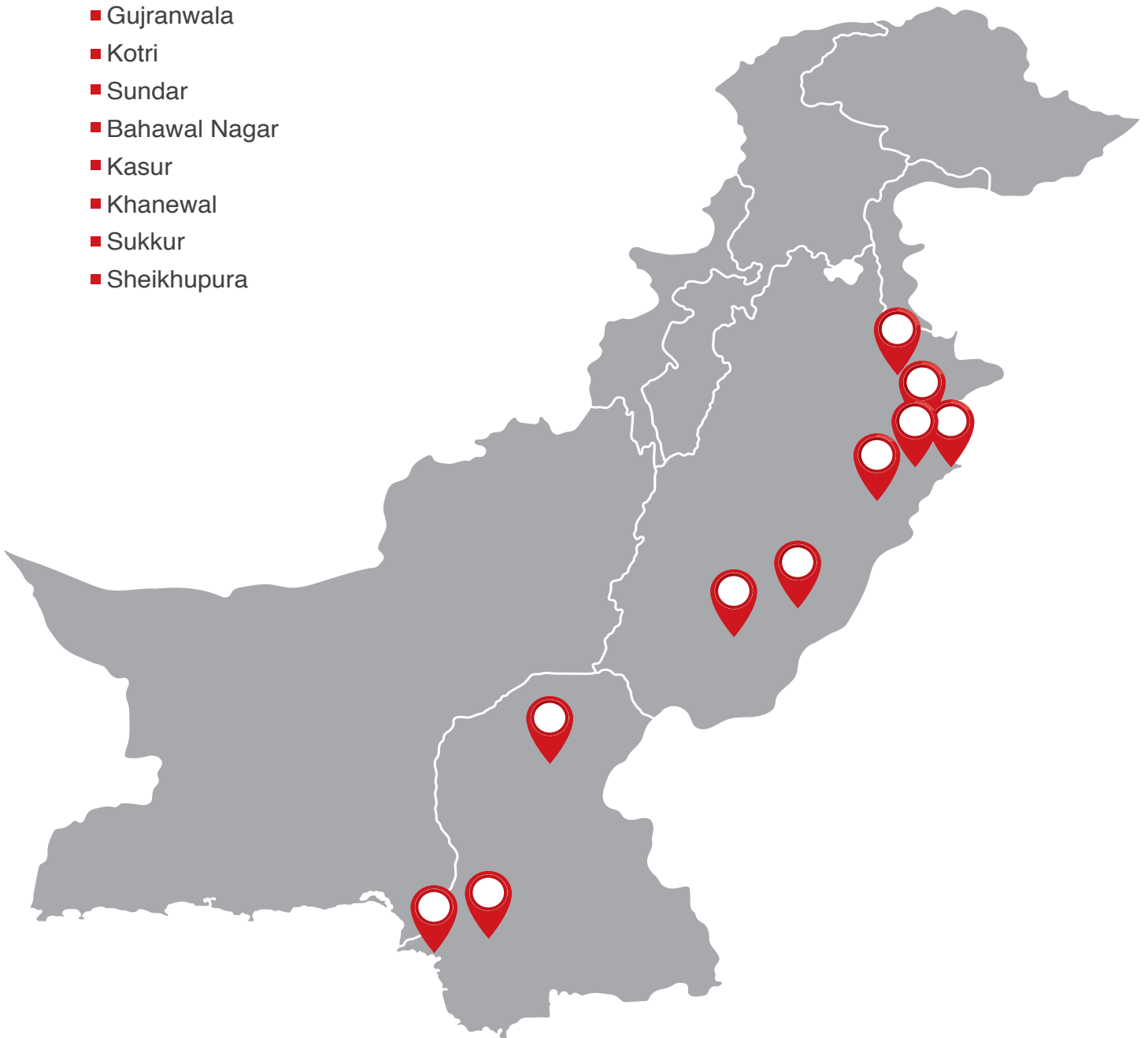




LOCAL GEOGRAPHICAL CLIENTELE

List of cities where MPL's packaging products are dispatched

- Karachi
- Lahore
- Sahiwal
- Gujranwala
- Kotri
- Sundar
- Bahawal Nagar
- Kasur
- Khanewal
- Sukkur
- Sheikhpura

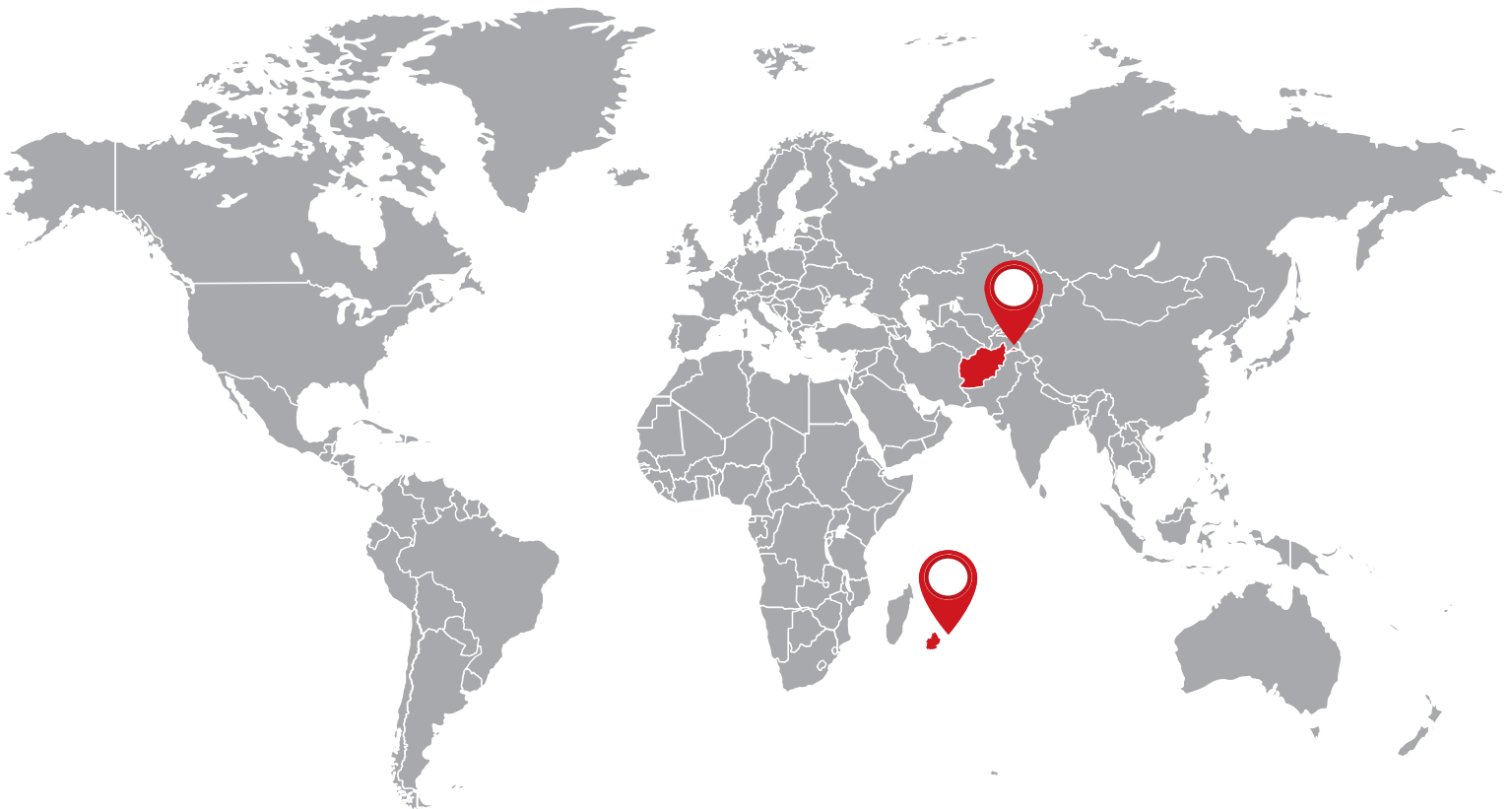


INTERNATIONAL GEOGRAPHICAL CLIENTELE

List of countries where MPL's packaging
products are dispatched

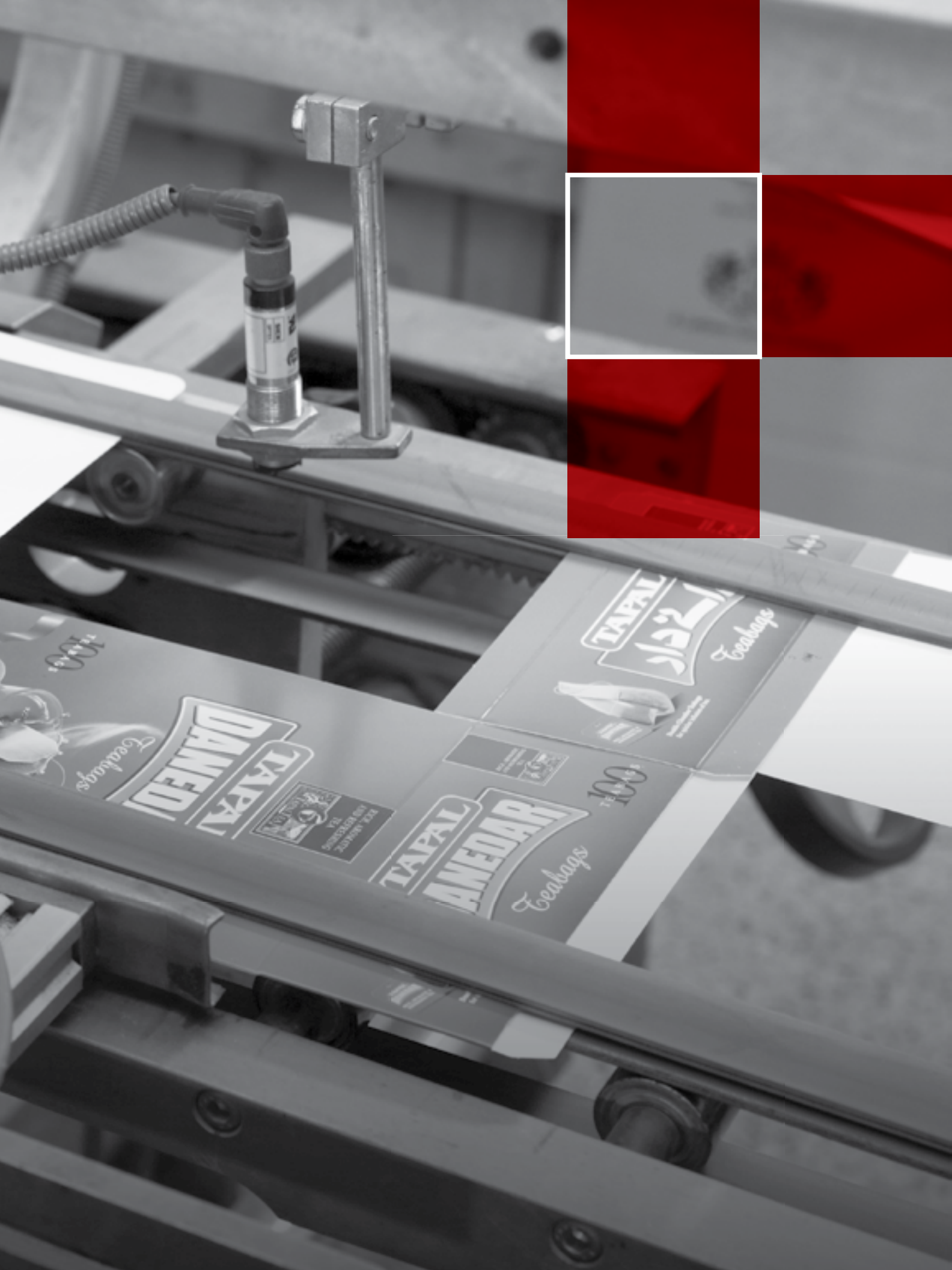
■ Afghanistan

■ Mauritius



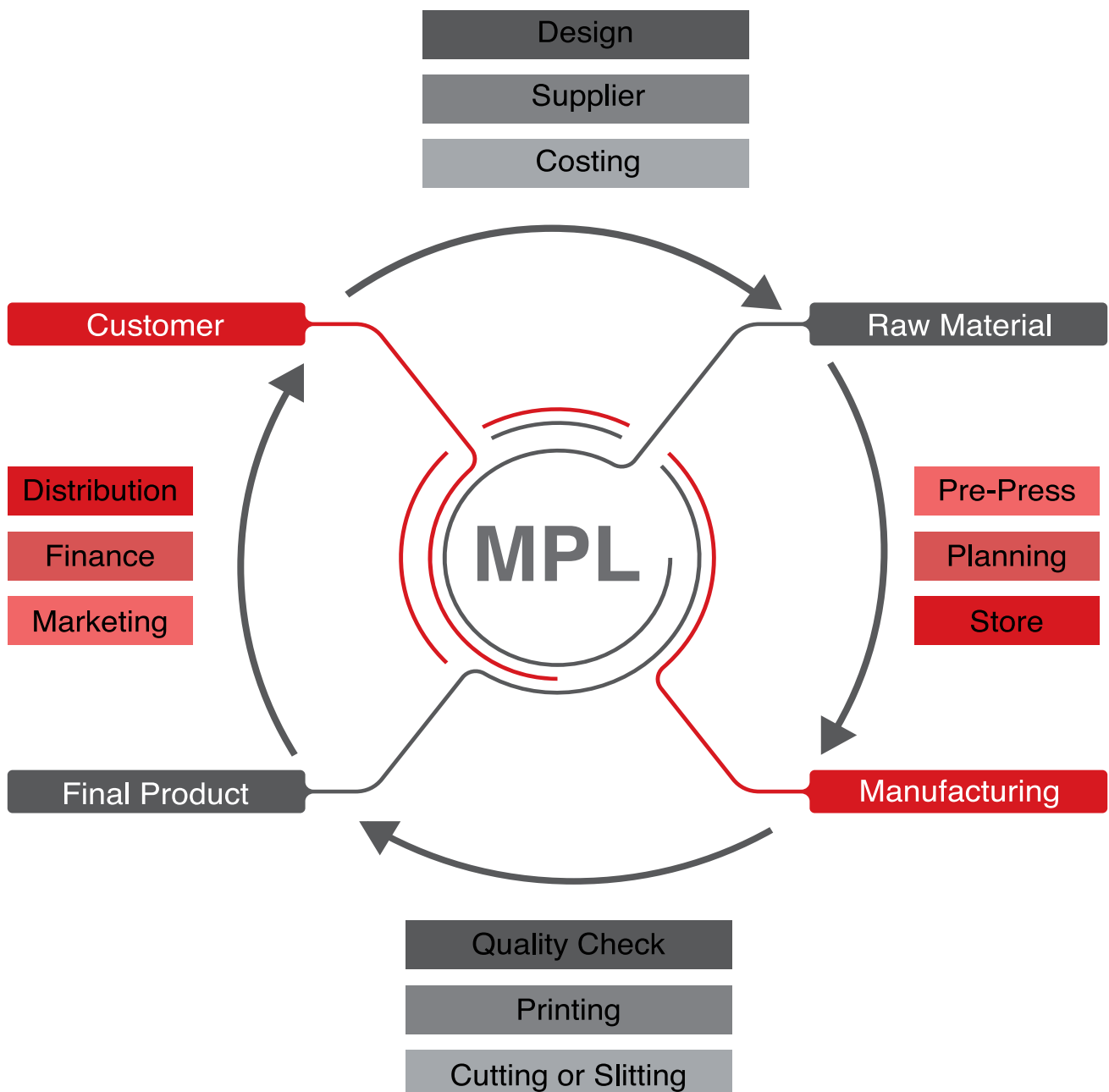


**“VALUE CHAIN
ANALYSIS”**



VALUE CHAIN ANALYSIS

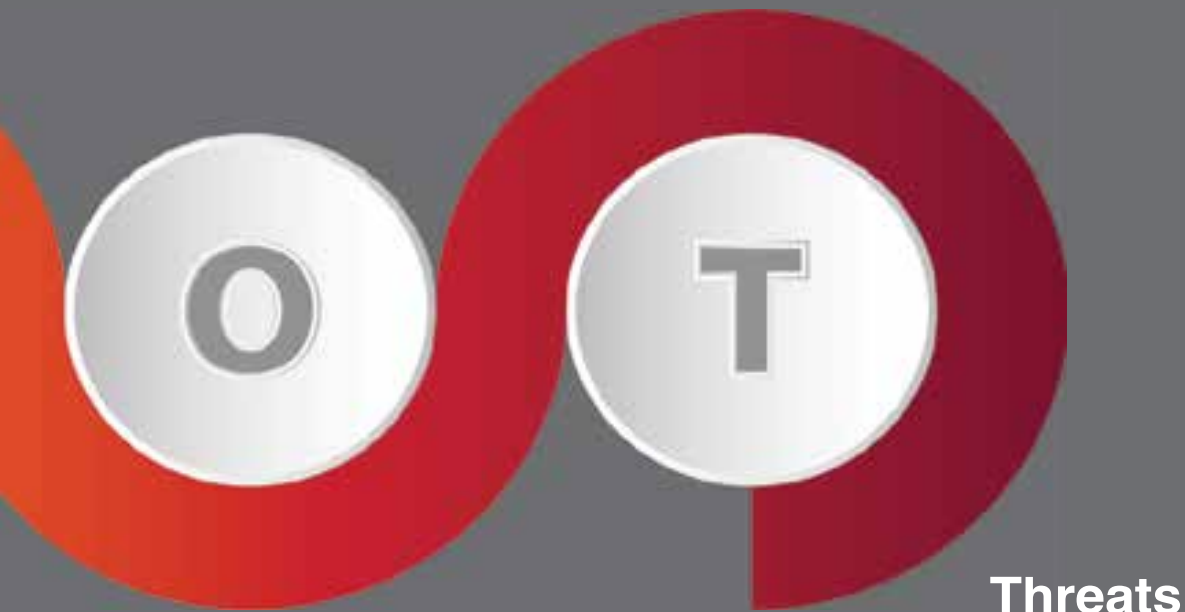
MPL always strives to deliver the best quality products to its customers and one of the main factors that helped to execute it efficiently is through an efficient value chain network. The Offset and Gravure Packaging business segments are conducted on the same norms so as to maintain a high product quality. MPL's value chain comprises the steps that involve bringing a product from conception to distribution, and everything in between—such as procuring raw materials, manufacturing functions, deliveries to the customers and so on.



SIGNIFICANT EXTERNAL FACTORS AFFECTING OUR BUSINESS

MACRO FACTORS	RESPONSES
Repetitive increase in raw material prices due to devaluation of Pak Rupee	MPL starts timely negotiation with customers to pass on the increased price impact to the customers
Supply chain disruption due to Covid-19, causing increase in freight charges	Large quantity of relevant stock is being bought and stored for the smooth production flow.
An Increasing competition among market participants	MPL is committed to deliver required product quality in a timely manner to ensure customer satisfaction and maintain the competitive edge
New and emerging technologies bring unprecedented threats to internet-connected devices.	MPL strives to implement consistent security policies and procedures as well as educating staff and suppliers to embed best practices by implementing internal tools to detect and mitigate the current and emerging cyber security threats.
Technological development together with scarcity of specialist resources	MPL continues to invest substantially in expansion projects, modernization and up gradation of production facilities including hiring and training specialist resources
Protection of IP rights is necessary in order to prevent infringement and unauthorised use by third parties	MPL has a dedicated team of in-house specialists that manage matters relating to IP to ensure that robust processes are followed to protect IPs, by means of patents, registered designs, trademarks and copyrights
Counterparty defaults poses risk of impairment of assets	Counterparty risk management procedures are carried out continuously in order to monitor credit worthiness of business partners.
A safe working environment is necessary to ensure well-being of the employees and all those who were affected by COVID-19	MPL actively monitors its Health & Safety environment for managing risks in the workplace to ensure our compliance with local and international regulations, guidelines and best practices to deal with Covid-19 effects.
Requirement to recruit competent personnel and incentivise existing staff to achieve Corporate goals	MPL rewards and retains the right people with the right skills in a planned and targeted way, including regular benchmarking of remuneration. MPL also ensures that they comply with code of ethics properly
A rapidly evolving regulatory requirements with associated laws, regulations and policies including environmental regulations could affect business	MPL has developed a team of qualified and experienced professionals in the management team to ensure compliance with all applicable laws, rules and regulations.
Adverse law and order situations, including natural disasters	MPL continues to closely monitor political and macroeconomic developments. Accordingly, it maintains a balanced sales profile across major sales regions.





Opportunities



1. Supervision and direction of BOD will lead MPL to the next level of success.
2. Capitalization of more synergies from associated companies.
3. MPL is a captive marketer so it has an opportunity to increase its market share from existing customers.
4. Higher production levels with lower wastages are achieved with the use of advanced technology.

Threats



1. High gearing ratio results in higher financial cost. Consequently little or no amount available for distribution to shareholders.
2. Substantial sales come from local clients that renders it more vulnerable towards exchange rate risk.

SHORT MEDIUM & LONG TERM OBJECTIVES

SHORT TERM OBJECTIVES

MPL's short-term objective is to improve efficiency of its operations through continuous improvement, cost reduction, efficient working capital management and curtail wastage. Also ensure to strengthen the relationships with external stakeholders and internally developing talent through training and providing growth opportunities.

MEDIUM TERM OBJECTIVES

In medium term, MPL intends to grow through expansion of its core business by investing in state-of-the-art machinery, improving customer management and new and upgraded products. MPL also strives towards betterment of the society, minimizing our environmental footprint.

LONG TERM OBJECTIVES

Build on short and medium term objectives, its an aim to achieve excellence in business and diversify operations through related diversification strategy in the long-term. In short, MPL's long term objective is to achieve sustained growth in line with our mission statement and corporate strategy.

CORPORATE CALENDAR

Audit Committee Meeting	September 10, 2020	To consider the annual audited accounts for the year ended June 30, 2020.
BOD Meeting	September 16, 2020	To consider the annual audited accounts for the year ended June 30, 2020 and review of budget for the FY 20-21.
BOD Meeting	September 25, 2020	Adjourned meeting - to review the proposed budget for the FY 20-21.
Audit Committee Meeting	October 22, 2020	To consider the quarterly accounts for the quarter ended September 30, 2020.
Annual General Meeting	October 23, 2020	To consider the annual audited accounts for the year ended June 30, 2020.
BOD Meeting	October 27, 2020	To consider the quarterly accounts for the quarter ended September 30, 2020.
BOD Meeting	November 13, 2020	To approve budget for the year ended June 30, 2021.
Audit Committee Meeting	February 22, 2021	To consider the Half yearly accounts for the half year ended December 31, 2020.
BOD Meeting	February 25, 2021	To consider the Half yearly accounts for the half year ended December 31, 2020.
BOD Meeting	March 29, 2021	To approve long term sponsors loan.
Audit Committee Meeting	April 21, 2021	To consider the quarterly accounts for the quarter ended March 31, 2021.
BOD Meeting	April 28, 2021	To consider the quarterly accounts for the quarter ended March 31, 2021 and to decide closure and relocation of Lahore operations in to the South factory.
BOD Meeting	May 18, 2021	To elect the Chairman of the Board, appointment of the CEO and reconstitution of the Audit Committee and HR & Remuneration Committee.





**“OUR GUIDING
LIGHTS”**

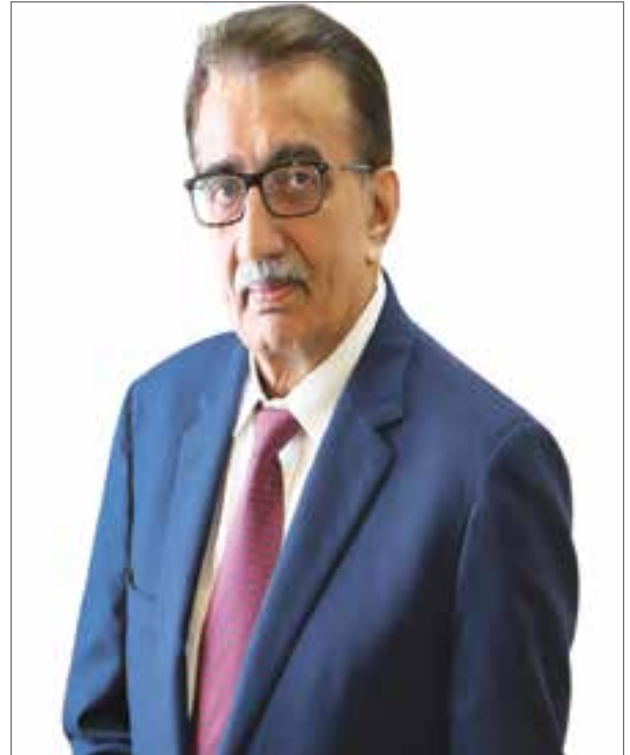
MR. IQBAL ALI LAKHANI

CHAIRMAN

Mr. Iqbal Ali Lakhani has over 44 years of top management experience in group companies in finance, marketing, manufacturing industry and government relations. His special interests include marketing, finance, total quality management and re-engineering. Mr. Lakhani is Chairman of the Corporate Boards of 4 Lakson Group Companies which are listed on the stock exchange covering a diversified range of businesses such as paper & board, soap, detergents, toothpaste, printing & packaging and insurance. The spectrum of 33 unlisted public & private Companies includes surgicals, media (T.V. & print), software development & consultancy, travel & tourism, investment & mutual funds,

ISP-broad band & data centre, business process outsourcing house into call Centre & I.T. He is also Trustee of Hasanali & Gulbanoo Lakhani Foundation (A Lakson group welfare trust) providing educational and medical facilities to the needy and deserving persons and helping in other social activities.

Mr. Lakhani is a Trustee of Layton Rehmatullah Benevolent Trust (LRBT), Lakson Medical Trust, R & I Trust. He has been Chairman of the Cigarette Manufacturers Association of Pakistan, Aga Khan Economic Planning Board for Pakistan, Director of Pakistan Business Council and Vice President of the American Business Council of Pakistan.



AMIR AHMED CHAPRA

CEO

A Packaging Professional with close to 30 years of experience in all aspects of Packaging. He started his career in Metatex Pvt. Limited based in Karachi, Pakistan in 1991. Metatex Pvt. Limited, in one form or the other, had been in the Plastics field since 1968. Metatex was producing 1000 tons of Packaging material per month and employed 700 people. He started as a Trainee in 1991 and left Metatex Pvt. Ltd in 2013 as Director Production and Supply Chain.

After selling his shares in Metatex Pvt. Limited, he formed a consulting firm A.S.R.A. Packaging Limited In 2013. From 2013 to 2017, he provided consulting services locally and had served in Africa, Middle East, Southeast Asia, and Turkey.

In 2018, he joined Cherat Packaging Limited, a part of the Ghulam Faraque Group of Companies with a total turnover of half a billion dollars, as Executive Director Marketing for their Greenfield Flexible Packaging Project. He developed Sales and Marketing team in the South and North Regions and was able to generate a sales of above Rs. 2 billion by the third year of Production.

On March 01, 2021, he joined Merit Packaging Limited, a part of the Lakson Group as Chief Executive Officer. Merit Packaging Limited based in Karachi, is a known name in the Offset and Gravure Packaging Market since 1980. Major clients include Unilever, Nestle, Tapal, National Foods Limited, Vital, EBM, Continental Biscuits, Philip Morris, Colgate Palmolive etc.



AMIN MOHAMMED LAKHANI

DIRECTOR

An MBA in Finance and International Business from The Wharton School of Business, University of Pennsylvania (USA) and holder of Bachelor of Science in Industrial Engineering from Stanford University (USA), Mr. Amin Mohammed Lakhani is part of the Executive Leadership Team of Lakson Group of Companies.

Mr. Amin Mohammed Lakhani is Chief Executive Officer of SIZA Foods (Private) Limited, the franchise holders of McDonald's restaurants in Pakistan, a world known Multinational Corporation serving fast foods. Under his dynamic leadership, SIZA has succeeded in a short period of 23 years in making McDonald's a household name in Pakistan, expanding the network of its restaurants to 43 in key cities of the country. He has also won "Golden Arches Award" 2011 from McDonald's Corporation, the highest award an owner operator can receive from McDonald's.

His rich experience in finance, marketing, management and production spanning over 32 years has enabled him to serve as CEO of 13 unlisted public and private limited companies, Director on the Corporate Boards of 4 Lakson Group companies listed on Stock Exchange in Pakistan and Director in 13 other unlisted public and private limited companies of the Lakson Group.

Mr. Lakhani is the Honorary Consul General of Singapore in Pakistan since July 1992. Previously he served as Singapore's Honorary Consul since April 1989. Acknowledging his services the Republic of Singapore awarded him "The Public Service Star".

Mr. Lakhani actively participates in social activities. He is a Founder Member of Pakistan Chapter of Young Presidents' Organization, and served as the local Chapter's chairman for the 2006-07 term. He is a Member of Stanford Alumni Association as well as of The Wharton Alumni Association. He is an ardent sport enthusiast and his favourite sporting activities include riding, playing polo, tennis and golf. He has widely travelled around the globe and takes interest in international/current affairs.

Mr. Lakhani strongly believes in Lakson Group's philosophy of paying back to the society. He is a Trustee of Hasanali & Gulbanoo Lakhani Foundation, a Lakson Group welfare trust. The Foundation provides educational and medical facilities to the deserving and needy persons and helps people in other areas and also a Trustee of Amin, Saira and Anika Lakhani (ASAL) Foundation.

MS. ANUSHKA LAKHANI

DIRECTOR

Ms. Anushka Lakhani is BSE from Wharton School of Business, University of Pennsylvania and MBA from Harvard Business School. She serves as Director on the Corporate Board of 03 Group Companies that are listed on Stock Exchange and also Director on 06 Public un-listed and Private Companies of the Group.

FURRUKH SHAUKET

ANSARI

DIRECTOR

Mr. Ansari brings over thirty years of rich and diversified experience in Commercial, Corporate & Investment banking as well as corporate sector. He has held senior management positions over the last twenty five years and was CEO of a major NBFIs between 2003-2011 and played a key role in the development of SME sector in Pakistan. He was instrumental in setting up of an investment banking arm of a foreign bank in Pakistan and establishing a new bank in South Africa.

He has advised on numerous fund raising, acquisition and privatization transactions over his career. He possesses rich experience in restructuring and rehabilitation of projects in distress. He is highly respected as a Leader in his field with respect to special focus on restructuring and project turnaround.

He has served on various advisory committees of the Government and the board of Karachi Stock Exchange as a representative of the Government of Pakistan. He also served on the Board of Directors Commercial Banks, Leasing, Modaraba, Insurance, Asset Management, Petroleum and Food Products Companies.

He obtained his MBA degree from IBA, Karachi in 1983 and Certificate in MIS from US Department of Agriculture School, Washington D.C. in 1990. He is also a Certified Director from the first batch of Pakistan Institute of Corporate Governance. He is an investment advisor to some of the leading Business families in Pakistan. Apart from his professional commitments, he enjoys reading, traveling and experiencing new cultures.

AFTAB AHMAD

DIRECTOR

Mr. Aftab Ahmad is presently the Director of two listed companies including Chief Executive Officer of one Company. He joined Lakson Group of Companies in 1984 as Deputy General Manager (Technical) of Century Paper & Board Mills Limited (CPBM), and has also served as G. M. Operations and Director Operations of CPBM.

Prior to joining Lakson Group, he has worked in Packages Limited in Pakistan, Saigal Brothers and Azzawya Oil Refinery in Libya. Under his Dynamic Leadership, CPBM become Market Leader in the field of Packaging. With his engineering background he successfully implemented the mega project of Century's new board machine PM-07, thereby building CPBM brand image for quality and reliability in the market.

AHMED MUNAF

DIRECTOR

Mr. Ahmed Munaf Lodhikawala is the proprietor of M-TEX, which indents Polyester yarn, and is the sole agent for the Polyester yarn in the Pakistan market for Hangzhou Zhongli / Zhongcai China yarn. He has more than 15 years of experience in leading businesses. Apart from this he also has interests in running a Textile Weaving mill, Real Estate projects, Car Dealerships along with exporting Hand Knotted Carpets from Pakistan.

Mr. Ahmed was also recently Appointed Convener of Federation of Pakistan Chamber of Commerce & Industry (FPCCI) Central Standing Committee on Polyester Filament Yarn. He has also been nominated for the National Committee (Pakistan Chapter) for Developing-8 Countries Chamber of Commerce & Industry (D-8 CCI).

Mr. Ahmed is also the Chief Patron of IMO (International Memon Organization) Young Memons (with over 1 million global members) which is one of the largest Memon organizations in the world. IMO is also involved in significant social work across Pakistan where it helps underprivileged individuals improve their lot through scholarships along with improving access to sports and helping the memon community navigate tough times. Mr. Ahmed also devotes his time to helping advance the cause of education where he is the Vice President of Jetpur Memon Association (JMA) for the years 2018-2021 and also serves as the Chairman of the Education Board of the JMA. They have started a white fund scholarship for all kinds of students including Masters Programmes and currently supporting around 1,500-1,700 Students with support of WMO (World Memon Organization) and JMA. He has also served as a member of the Managing Committee for Karachi Club for the years 2019-2020.

Mr. Ahmed also believes in the concept of shareholder activism where he along with a group of other like minded investors help managements to improve their businesses creating value for both major and minority shareholders alike.

ALI ASRAR HOSSAIN AGA

DIRECTOR

Mr. Ali Aga has over 38 years of multi industry experience in General Management, Marketing, Human Resource Management, Corporate Affairs, Manufacturing, Operations and Supply Chain Management in leading multinational and national companies including ICI, Hoechst and PEL. He served as Chief Executive of ICI Pakistan & Chairman of ICI Pakistan Power Gen Limited during the transition period of ICI Pakistan's ownership from Akzo Nobel B.V to YB Group Pakistan in 2013-14 and also worked as Vice President & Managing Director of ICI's flagship Soda Ash Business from 2008 to 2014. He was General Manager Human Resources for the ICI Group in Pakistan from 2004 to 2008 where he looked after HR for the ICI Group in Pakistan & Middle East and was also responsible for leadership development programs for the R&I (Regional & Industrial) Business of ICI plc globally.

Since 2015 Mr. Aga has been a partner in a Global Leadership Consulting firm Ward Howell International and is Managing Partner Middle East — South Asia and CEO Pakistan. He is also a part of Ward Howell's global Board Advisory Panel.

Mr. Aga has extensive Board level experience and is currently involved in Board Advisory for various companies in matters such as Board structure and composition, board practices and procedures, board and senior executives' evaluations, succession planning and compensation. He is a Certified Director and Certified Trainer by IFC, and a Faculty member for the Board Certification Program of Pakistan Institute of Corporate Governance (PICG).

Mr. Aga has been a Director on the Boards of MNCs like ICI Pakistan, Akzo Nobel Pakistan, ICI Power Gen, Pakistan PTA (Now Lotte Chemicals), and on Public sector companies STEDEC Technology Commercialization Corporation, Inland Water Transportation Company Limited and Engineering Development Board. He is currently an independent Director and Chairman Audit Committee and member of the HR & Remuneration Committee of Descon Oxy Chem Limited He is also an independent Director and member of the Audit Committees of Fauji Foods Limited And an independent Director and Chairman of Audit Committee & HR Committee of Fauji Fresh & Freeze Limited

Mr. Aga has a BSc. degree in Chemical Engineering and a Masters in Business Administration. He has attended the Advanced Management Program at Harvard Business School and has been a guest speaker at various local and international conferences and seminars.

SHAREHOLDERS' INFORMATION

The Company

Merit Packaging Limited ("the Company") was incorporated on January 28, 1980 in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on the Pakistan Stock Exchange. The registered office of the Company is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi. Phone: (021-38400000) & Fax: (021) 35686571.

The Company is mainly engaged in the manufacture and sale of printing and packaging materials.

Ownership

On June 30, 2021 the Company has 1,719 shareholders.

Annual General Meeting

The annual shareholders meeting will be held on Thursday, October 21, 2021 at 03:00 p.m. Registered office of the Company at Lakson Square Building No.2, Sarwar Shaheed Road, Karachi through video conference. Shareholders of the Company are encouraged to participate.

Date of Book Closer

The register of the members and shares transfer books of the Company will remain closed from October 12, 2021 to October 21, 2021 (both days inclusive).

Share Price and Trading Volumes

Period	Share Price (Rupees)	Share Price (Rupees)	Share Price (Rupees)	Daily Average of Trading
	High	Low	Closing	Volume
First Quarter (Jul-Sep, 2020)	16.14	11.51	15.52	954,375
Second Quarter (Oct-Dec, 2020)	16.89	13.25	15.30	262,413
Third Quarter (Jan-Mar, 2021)	17.73	13.00	13.69	237,452
Fourth Quarter (Apr-Jun, 2021)	21.21	13.06	17.66	550,500
For the year	21.21	11.51	17.66	503,227

Stock price and volume information are available at the <https://www.ksestocks.com/QuotationsData>

Financial Results

The tentative timelines of the financial results for the year 2021-22 for approval in the Board of Directors meetings are as follows:

First Quarter ending on September 30, 2021	October 2021
Second Quarter ending on December 31, 2021	February 2022
Third Quarter ending on March 31, 2022	April 2022
Fourth Quarter ending on June 30, 2022/ Annual	August 2022

Web Presence

Annual/Quarterly reports are regularly placed at the Company's website, <https://www.meritpack.com/>

NOTICE OF AGM

NOTICE IS HEREBY GIVEN that the 41st Annual General Meeting of MERIT PACKAGING LIMITED will be held on Thursday, October 21, 2021 at 03:00 p.m. at the Registered office of the Company at Lakson Square Building No.2, Sarwar Shaheed Road, Karachi through Video Conference to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2021 together with the Directors' and Auditors' reports thereon.
2. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

3. To consider to pass the following resolutions as special resolution:
 - a) **"RESOLVED** that the transactions carried out in normal course of business with associated companies/ related parties as disclosed in Note No. 45 of the audited financial statements for the year ended June 30, 2021 be and are hereby ratified and approved."
 - b) **"RESOLVED** that the Chief Executive Officer of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies/ related parties during the ensuing year ending June 30, 2022 and in this connection the Chief Executive Officer be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

Statement under Section 134 of the Companies Act, 2017 in the above matter mentioned in item No.3 is annexed.

By Order of the Board



(MANSOOR AHMED)
Company Secretary

Karachi: September 16, 2021

NOTES:

1. The share transfer books of the Company will remain closed from October 12, 2021 to October 21, 2021 (both days inclusive). Transfers received in order by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi up to the close of business on October 11, 2021 will be treated in time for the purpose of attending the annual general meeting.
2. A member, who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
3. In view of the prevailing pandemic COVID-19 situation and in line with the directions issued to listed companies by the Securities & Exchange Commission of Pakistan (SECP), vide its Circular No.4 of 2021 dated February 15, 2021 and subsequent Circular No.6 of 2021 dated March 03, 2021, the Company has decided to hold Annual General Meeting (AGM) through electronic means.

Special arrangement for attending the AGM through electronic means will be as under:

- a. AGM will be held through zoom application-a video link facility.

- b. Shareholders interested in attending the AGM through Zoom application are hereby requested to get themselves registered with the Company Secretary office by sending an e-mail with subject: "Registration for Merit Packaging AGM" at the earliest but not later than 05:00 p.m. on Wednesday, October 20, 2021 on E-mail: mansoor@lakson.com.pk, along with a valid copy of both sides of CNIC.

Shareholders are advised to mention their Name, Folio/CDC Account Number, CNIC Number, Valid email address and cell number.

Upon receipt of the above information from the interested shareholders, the Company will send the login credentials at their e-mail address. On the date of AGM, shareholders will be able to login and participate in the AGM proceedings through their smartphone/computer devices. Shareholders can also provide their comments/suggestions for the proposed agenda items of the AGM on above email or Whatsapp: 0315-5008228.

4. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member. A proxy must be a member of the Company.
5. Form of proxy, in order to be valid must be properly filled-in/executed and received at the registered office of the Company situated at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting excluding holidays.
6. Members holding shares in physical form are requested to promptly notify Shares Registrar of the Company of any change in their addresses. Shareholders maintaining their shares in electronic form should have their address updated with their participant or CDC Investor Accounts Service.
7. Pursuant to Notification vide SRO.787(1)/2014 of September 08, 2014, SECP has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. www.meritpack.com. Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Shares Registrar of any change in the registered e-mail address.
8. An updated list for unclaimed dividend / shares of the Company is available on the Company's website www.meritpack.com. These are unclaimed dividend / shares which have remained unclaimed or unpaid for a period of three years from the date these have become due and payable.

Claims can be lodged by shareholders on Claim Forms as are available on the Company's website. Claims Forms must be submitted to the Company's Shares Registrar for receipt of dividend/ shares.

9. Section 72 of the Companies Act, 2017 requires every company to replace its physical shares with book-entry form within the period to be notified by the SECP.

The shareholders having physical shareholding are accordingly encourage to open their account with Investor Accounts Services of CDC or Sub Account with any of the brokers and convert their physical shares into scrip less form. This will facilitate the shareholders in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange Limited.

10. Members can exercise their right to demand a poll subject to meeting requirements of Section 143 to Section 145 of the Companies Act, 2017 and applicable clauses of the Companies (Postal Ballot) Regulations, 2018.
11. Form of Proxy is enclosed.

STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO SECTION 134 OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the Special Business, given in agenda item No.3 of the Notice will be considered to be passed by the members. The purpose of the Statement is to set forth the material facts concerning such Special Business.

Agenda Item No.3(a) of the Notice – Transactions carried out with associated companies/related parties during the year ended June 30, 2021 to be passed as a Special Resolution.

The transactions carried out in normal course of business with associated companies/related parties were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to Clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2019.

During the Board meeting it was pointed out by the Directors that as some of Company Directors were interested in these transactions, the quorum of directors seemingly could not be formed for approval, some of these transactions which have to be approved by the shareholders in the general meeting.

In view of the above, the transactions conducted during the financial year ended June 30, 2021 with associated companies/related parties shown in Note No.45 of the audited financial statements are being placed before the shareholders for their consideration and approval/ratification.

Agenda Item No.3(b) of the Notice – Authorization to the Chief Executive Officer for the transactions carried out and to be carried out with associated companies/related parties during the ensuing year ending June 30, 2022 to be passed as a Special Resolution.

The Company would be conducting transactions with associated companies/related parties in the normal course of business. The majority of Directors are interested in these transactions, therefore, such transactions with associated companies/related parties have to be approved by the shareholders.

In order to comply with the provisions of Clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2019, the shareholders may authorize the Chief Executive Officer to approve transactions carried out and to be carried out in normal course of business with associated companies/related parties during the ensuing year ending June 30, 2022.

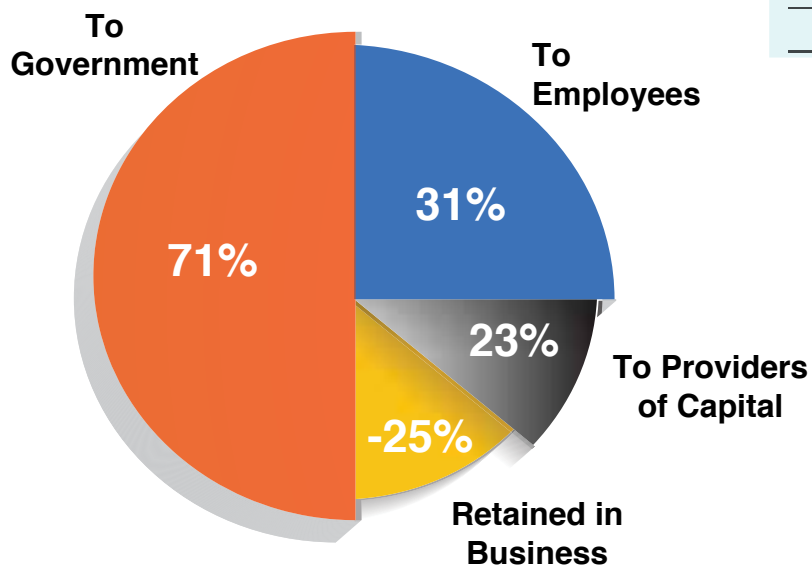
The Directors are interested in the resolutions to the extent of their common directorships and shareholding in the associated companies/related parties and the privileges attached thereto only.

OTHER FINANCIAL INFORMATION

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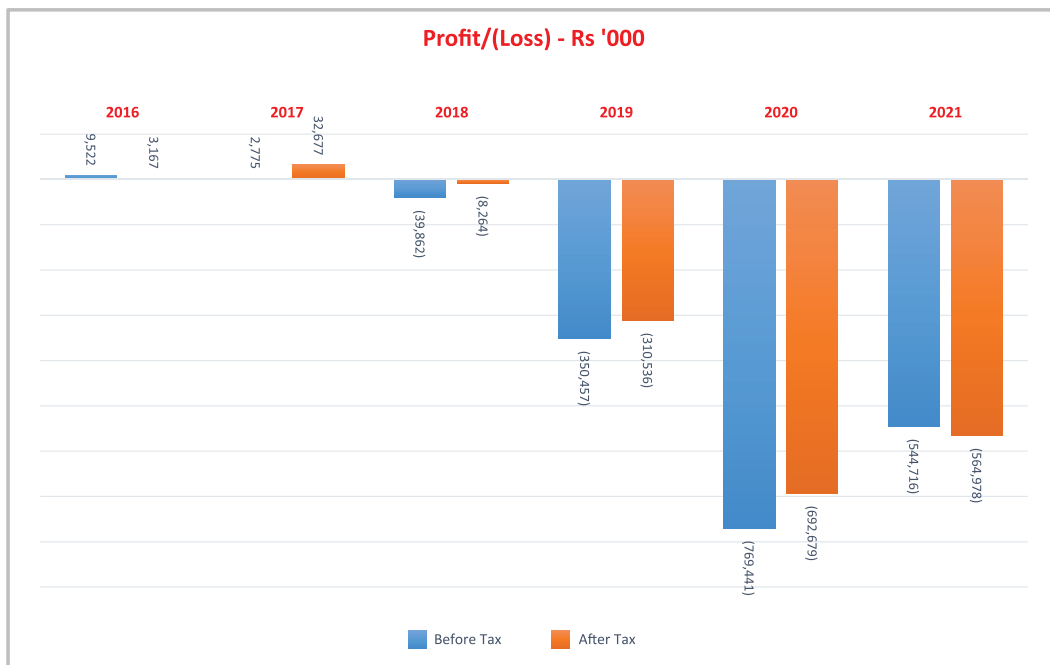
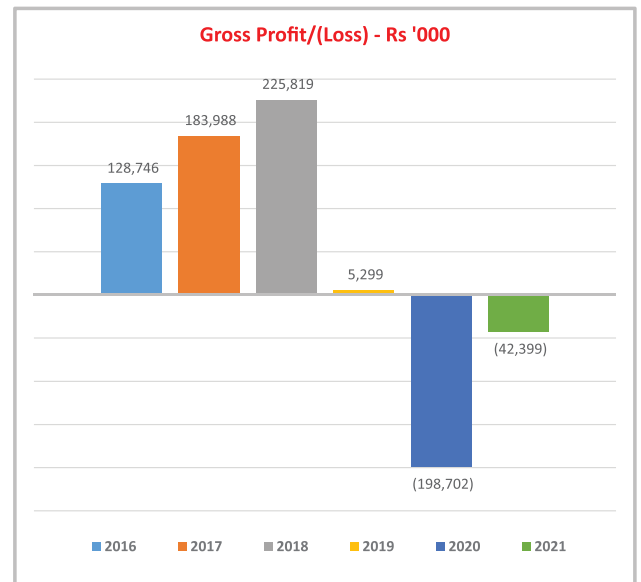
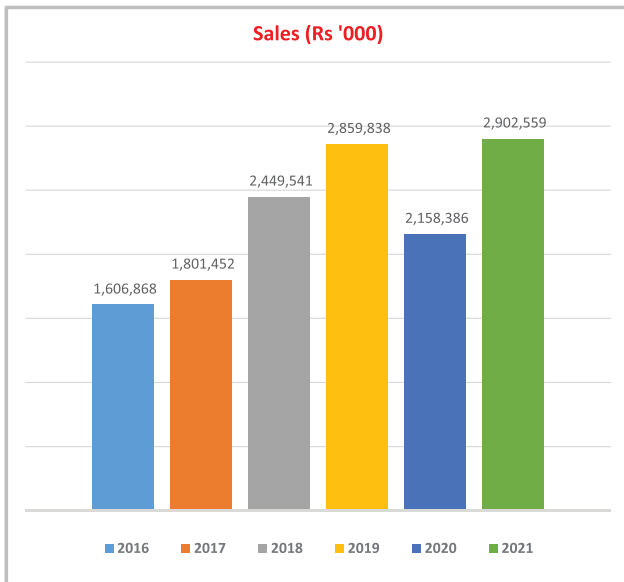
STATEMENT OF VALUE ADDITION

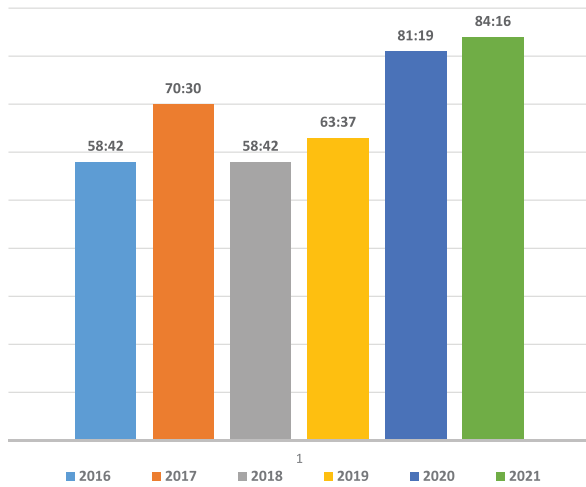
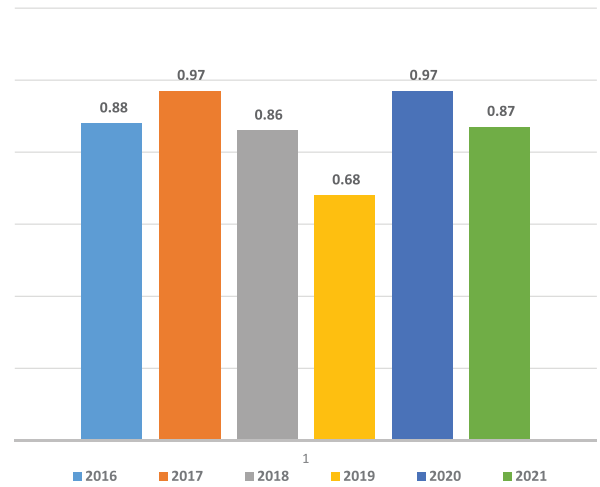
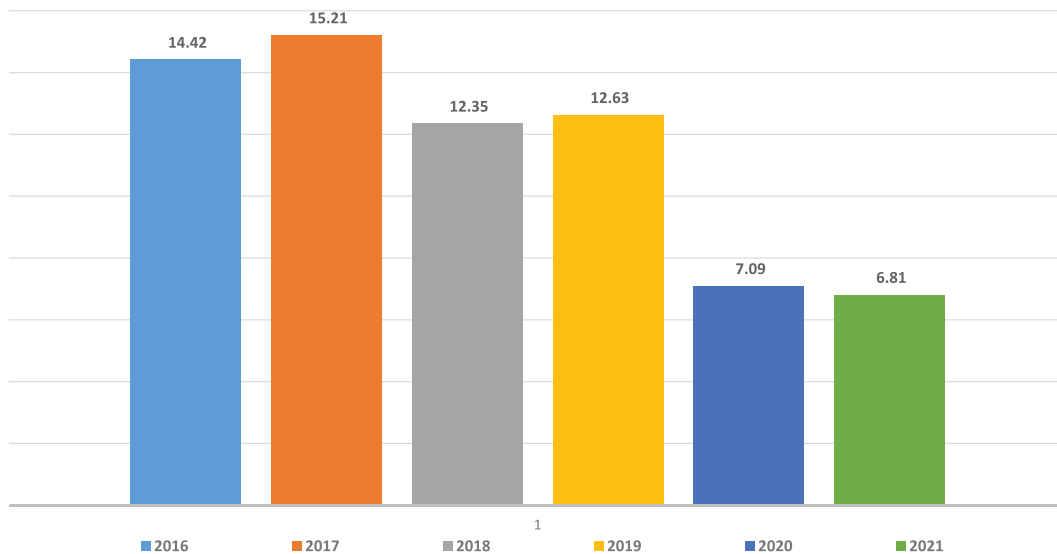
Particulars	2021		2020	
	Amount	%	Amount	%
Value added				
Gross Sales	3,391,725		2,518,887	
Material and services	(2,691,067)		(2,092,663)	
Other income	17,148		3,519	
	717,806	100	429,743	100
Distribution				
To employees				
Salaries, wages and other benefits	220,070		236,642	
Workers profit participation fund	-		-	
	220,070	31%	236,642	55%
To government				
Sales tax	489,166		360,501	
Company taxation	20,262		-	
Workers welfare fund	-		-	
	509,428	71%	360,501	84%
To providers of capital				
Financial charges on borrowed fund	167,761	23%	279,109	65%
Retained in business				
Depreciation	226,044		248,780	
Amortisation of intangible assets	279		249	
Notional Markup on loan from sponsors	159,202		73,902	
(Loss) / Profit for the period	(564,978)		(769,440)	
	(179,453)	-25%	(446,509)	-104%
	717,806	100%	429,743	100%



Six (6) Years Financial Data

	Rupees in thousands					
	2021	2020	2019	2018	2017	2016
Trading results						
Sales	2,902,559	2,158,386	2,859,838	2,449,541	1,801,452	1,606,868
Gross (Loss) / profit	-42,399	-198,702	5,299	225,819	183,988	128,746
(Loss) / profit before taxation	-544,716	-769,441	-350,457	-39,862	2,775	9,522
(Loss) / profit after taxation	-564,978	-692,679	-310,536	-8,264	32,677	3,167
Financial position						
Total capital employed	2,957,600	3,020,699	2,460,689	2,163,472	1,907,131	1,349,893
Property, plant and equipment	3,028,233	2,884,732	3,042,733	2,302,892	1,900,552	1,467,993
Shareholder equity	549,316	571,294	1,018,206	996,100	613,162	581,262
Long term liabilities	2,408,284	2,449,405	1,442,483	1,167,372	1,293,969	768,632
Deferred taxation	176,482	174,091	97,627	63,293	31,362	-
Others						
Number of employees (at year end)	206	264	257	304	252	237
Capital expenditure	48,308	97,497	778,303	481,665	495,353	707,676
Contribution to national exchequer	135,183	213,959	221,077	144,301	149,986	187,728
Ratios						
Gross (Loss) / profit	-1.46%	-9.21%	0.19%	9.22%	10.21%	8.01%
(Loss) / profit before taxation	-18.77%	-35.65%	-12.25%	-1.63%	0.15%	0.59%
(Loss) / profit after taxation	-19.46%	-32.09%	-10.86%	-0.34%	1.81%	0.20%
Return on equity	-102.85%	-121.25%	-30.50%	-0.83%	5.33%	0.54%
Return on capital employed	-19.10%	-22.93%	-12.62%	-0.38%	1.71%	0.23%
Current ratio	0.87 : 1	0.97 : 1	0.68 : 1	0.86 : 1	0.97 : 1	0.88 : 1
Debt / equity ratio	84 : 16	81 : 19	63 : 37	58 : 42	70 : 30	58 : 42
Inventory days	66	83	60	58	70	69
Receivable days	75	81	65	74	69	68
Others						
(Loss)/Earnings per share - (Rs.)	-7.01	-8.59	-3.85	-0.14	0.76	0.07
Break-up value per share (Rs.)	6.81	7.09	12.63	12.35	15.21	14.42
Market Value (Rs.)	17.66	11.89	29.77	22.50	21.47	16.94
Price earning ratio	N / A	N / A	N / A	N / A	28.25	242.00



Debt to Equity Ratio**Current Ratio****Break-up Value per Share (Rs.)**

VERTICAL ANALYSIS**PROFIT & LOSS ACCOUNT**

	2021		2020	
	Rs. '000	%	Rs. '000	%
Sales - net	2,902,559	100%	2,158,386	100%
Cost of sales	(2,944,958)	-101%	2,357,089	109%
Gross profit / (loss)	(42,399)	-1%	(198,702)	-9%
Operating expenses	(175,354)	-6%	217,727	10%
Operating profit / (loss)	(217,753)	-8%	(416,429)	-19%
Financial charges	(326,963)	-11%	(353,011)	-16%
Profit/(loss) before taxation	(544,716)	-19%	(769,441)	-36%
Profit/(loss) after taxation	(564,978)	-19%	(692,679)	-32%

BALANCE SHEET**Assets**

Property, plant and equipment	3,028,233	61%	2,884,732	61%
Other non-current assets	182,415	4%	185,098	4%
Current Assets	1,765,083	35%	1,643,658	35%

Total Assets

4,975,731	100%	4,713,488	100%
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Equity & Liabilities

Share capital & reserves	549,316	11%	571,294	12%
Non-current liabilities	2,408,284	48%	2,449,405	52%
Current liabilities	2,018,131	41%	1,692,789	36%

Total equity and Liabilities

4,975,731	100%	4,713,488	100%
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HORIZONTAL ANALYSIS**PROFIT & LOSS ACCOUNT**

	2021		2020	
	Rs. '000	%	Rs. '000	%
Sales - net	2,902,559	181%	2,158,386	134%
Cost of sales	(2,944,958)	-199%	2,357,089	159%
Gross profit / (Loss)	(42,399)	-33%	(198,702)	-154%
Operating expenses	(175,354)	-377%	217,727	468%
Operating profit / (Loss)	(217,753)	-265%	(416,429)	-506%
Financial charges	(326,963)	-450%	(353,011)	-485%
Profit/(loss) before taxation	(544,716)	-5721%	(769,441)	-8081%
Profit/(loss) after taxation	(564,978)	-17840%	(692,679)	-21872%

BALANCE SHEET**Assets**

Property, plant and equipment	3,028,233	206%	2,884,732	197%
Other non-current assets	182,415	2558%	185,098	2595%
Current Assets	1,765,083	189%	1,643,658	176%

Total Assets

4,975,731	207%	4,713,488	196%
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Equity & Liabilities

Share capital & reserves	549,316	95%	571,294	98%
Non-current liabilities	2,408,284	313%	2,449,405	319%
Current liabilities	2,018,131	190%	1,692,789	160%

Total equity and Liabilities

4,975,731	207%	4,713,488	196%
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2019		2018		2017		2016	
Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
2,859,838	100%	2,449,541	100%	1,801,452	100%	1,606,868	100%
2,854,539	100%	2,223,722	91%	1,617,464	90%	1,478,122	92%
5,299	0%	225,819	9%	183,988	10%	128,746	8%
131,833	5%	130,423	5%	81,176	5%	46,486	3%
(126,534)	-4%	95,396	4%	102,811	6%	82,260	5%
223,923	8%	135,258	6%	100,037	6%	72,738	5%
(350,457)	-12%	(39,862)	-2%	2,775	0%	9,522	1%
(310,536)	-11%	(8,264)	0%	32,677	2%	3,167	0%
3,042,733	66%	2,302,892	61%	1,900,552	62%	1,467,993	61%
110,276	2%	78,661	2%	45,720	2%	7,132	0%
1,470,189	32%	1,384,523	37%	1,099,501	36%	934,176	39%
4,623,198	100%	3,766,076	100%	3,045,773	100%	2,409,301	100%
1,018,206	22%	996,100	26%	613,162	20%	581,262	24%
1,442,483	31%	1,167,372	31%	1,293,969	42%	768,632	32%
2,162,509	47%	1,602,604	43%	1,138,642	37%	1,059,407	44%
4,623,198	100%	3,766,076	100%	3,045,773	100%	2,409,301	100%
2019		2018		2017		2016	
Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
2,859,838	178%	2,449,541	152%	1,801,452	112%	1,606,868	100%
2,854,539	193%	2,223,722	150%	1,617,464	109%	1,478,122	100%
5,299	4%	225,819	175%	183,988	143%	128,746	100%
131,833	284%	130,423	281%	81,176	175%	46,486	100%
(126,534)	-154%	95,396	116%	102,811	125%	82,260	100%
223,923	308%	135,258	186%	100,037	138%	72,738	100%
(350,457)	-3680%	(39,862)	-419%	2,775	29%	9,522	100%
(310,536)	-9805%	(8,264)	-261%	32,677	1032%	3,167	100%
3,042,733	207%	2,302,892	157%	1,900,552	129%	1,467,993	100%
110,276	1546%	78,661	1103%	45,720	641%	7,132	100%
1,470,189	157%	1,384,523	148%	1,099,501	118%	934,176	100%
4,623,198	192%	3,766,076	156%	3,045,773	126%	2,409,301	100%
1,018,206	175%	996,100	171%	613,162	105%	581,262	100%
1,442,483	188%	1,167,372	152%	1,293,969	168%	768,632	100%
2,162,509	204%	1,602,604	151%	1,138,642	107%	1,059,407	100%
4,623,198	192%	3,766,076	156%	3,045,773	126%	2,409,301	100%

CHAIRMAN REVIEW

Dear Shareholders,

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 an annual evaluation of the Board of Directors of Merit Packaging Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2021, the Board's overall performance and effectiveness has been assessed as Satisfactory. Improvements are an ongoing process leading to action plans. The above overall assessment is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's responsibility.

The Board of Directors of your Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The Board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.

Dated: September 14, 2021



Iqbal Ali Lakhani
Chairman

CHAIRMAN REVIEW (URDU)

چیرمین کی جائزہ رپورٹ

میرٹ پیکجنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز کا سالانہ جائزہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے تحت کیا جاتا ہے۔ اس جائزے کا مقصد اس امر کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور افادیت کو کمپنی کے مختص کردہ مقاصد کے تناظر میں پرکھا جاسکے۔

مالی سال برائے 30 جون، 2021 کے لیے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی ہے۔ بہتری ایک مستقل جاری رہنے والا عمل ہے جس کی مدد سے عملی منصوبہ بندیوں کو ممکن بنایا جاتا ہے۔ مجموعی جائزہ ضروری اجزاء کے انفرادی جائزے پر منحصر ہے جن میں دورانہشی، نصب العین اور اقدار، حکمت عملی کے بنانے میں کردار، پالیسیز کی تشکیل، کمپنی میں جاری کاروباری سرگرمیوں کی نگرانی، مالیاتی وسائل کے انتظام کی نگرانی، موثر مالی نگرانی، بورڈ کے کاروبار کو پورا کرنے میں ملازمین کے ساتھ منصفانہ سلوک اور بورڈ کی ذمہ داریوں کو موثر انداز سے پورا کرنا شامل ہیں۔

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کو اور اس کی کمیٹی کی ملاقاتوں میں ایجنڈا مع دیگر ضروری دستاویزات قبل از وقت موصول ہوئے۔ بورڈ ضروری سرگرمیوں اور ذمہ داریوں کو موثر طریقے سے انجام دینے کے لیے باقاعدگی سے ملاقات کرتا ہے۔ نان ایگزیکٹو اور آزاد ڈائریکٹرز بھی اہم فیصلوں میں برابری کی بنیاد پر شامل ہوتے ہیں۔



اقبال علی لاکھانی
چیرمین

کراچی: 14 ستمبر 2021

DIRECTORS' REPORT

On behalf of the Board of Directors of Merit Packaging Limited, we herewith submit the Directors report along with the 41st Annual Audited Financial Statements of the Company for the year ended June 30, 2021.

KEY NUMBERS

Sales – net
Gross (loss)/profit
Operating loss
Loss before tax
Loss after tax

Loss per Share

2020-21	2019-20
(Rupees in thousand)	
2,902,559	2,158,386
(42,399)	(198,387)
(217,753)	(416,429)
(544,716)	(769,441)
(564,978)	(692,679)
(Rupees per share)	
(7.01)	(8.59)

OPERATING RESULTS

During the year ended June 30, 2021 the net sale amounted to Rs. 2.9 billion, as compared to Rs. 2.1 billion in the last financial year, showing an increase of Rs. 744 million or 34.5%. The Company's pre-tax loss for the year is Rs. 545 million for the year ended June 30, 2021 as compared to a loss of Rs. 769 million in the previous year.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement of Compliance with the Code of Corporate Governance is annexed with the report. Your company is committed to a good corporate governance. The Board of Directors acknowledges its responsibility in respect of Corporate and Financial Reporting Framework. The Directors confirm that:

- The financial statements prepared by the management of the Company present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards. Accounting estimates are based on reasonable prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern.
- The summary of key operating and financial data for the last six years of the Company has been annexed to this report.
- Information about taxes, duties, levies and charges outstanding have been adequately disclosed in the notes forming part of the annexed financial statements.
- There has been no material departure from the best practices of Corporate Governance.

RISKS FACING THE COMPANY

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2019. The Board of Directors, Board's Audit Committee and senior management teams led by the Chief Executive Officer of the Company have implemented and reviewed business risks to ensure that the management teams maintain a sound system of risk identification, risk management and internal controls to safeguard assets, resources, reputation and interest of the Company and shareholders.

Different categories of risks having possible impact on the Company are:

- 1) Strategic Risk: These risks are related to the business environment including the industry and are beyond Company's control. Under this category the company faces the risk of severe competition in the local markets from both Corporate and Non-Corporate competitors.
- 2) Commercial Risks: These risks emanate from commercial substance of the organization and involve decisions which may affect Company's position in the market. Risks affecting the company under this category are:
 - a. Variation in raw material and other input costs due to depreciating value of Pakistani Rupee;
 - b. Compliance of new and existing laws and regulations; and
 - c. Political uncertainty affecting business prospects
- 3) Operational Risks: These risks are related to Company's internal operations, administrative procedures and daily affairs. Possible risks include the following:
 - a. The Company may be exposed to financial irregularities resulting in qualitative and quantitative losses in the absence of effective internal control;
 - b. Technology shift may render production process obsolete and cost inefficient;
 - c. The severe on-going energy crisis;
 - d. Vendors' operational / financial constraints and their deteriorating quality standards;
 - e. Disruptions due to data loss from possible operational failures or natural disasters;
 - f. Qualified and competent staff may not be available in sufficient numbers;
 - g. Operations may be subject to fraudulent activities; and
 - h. Injuries and accidents at workplace.
- 4) Financial Risks: These risks are related with financial matters including profitability, financing, liquidity and credit and include the following:
 - a. Devaluation of Pak Rupee against foreign currencies may adversely affect Company's financial performance;
 - b. Liquidity risk arises when the Company has insufficient ready cash and encounters difficulty in meeting its financial obligation.
 - c. Interest rate risk arises due to fluctuation in interest rate resulting in interest rate associated with the long-term loans and short-term borrowings.
 - d. The financial loss to the Company if a customer fails to meet his contractual obligation arising from trade receivables.

The management considers various factors including but not limited to best practices and applicable laws & regulations to mitigate the risks stated above.

SAFETY, SECURITY, HEALTH AND ENVIRONMENT

Merit packaging provides all employees a safe and secure working environment.

The Company continues to take concrete steps for its strong commitment to promote a safe, secure and healthy environment in our day-to-day business operations.

The employees are given environmental, health and safety trainings to enabling them to carry out their duties safely without causing harm to themselves, to other individuals and to the environment. First aid equipment and firefighting equipment are kept operative at all times to ensure a safe and secured working environment.

CORPORATE SOCIAL RESPONSIBILITY

As a socially responsible corporate citizen, we have committed ourselves to the well-being of the society. Your Company believes in strictly abiding by our social responsibility, by extending whatever help to citizen whenever needed. We recognize that we cannot have a growing business unless the communities we serve are healthy and sustainable and being a responsible corporate entity, we always endeavor to extend all out help to citizens whenever it is needed and affordable, keeping financial stress the Company is undergoing.

HUMAN RESOURCE DEVELOPMENT

Our people are our most valued asset. We encourage teamwork and are committed to peaceful working environment for our people. For this purpose, comprehensive training programs, workshops and seminars are held every year for our employee development. Merit recognizes its employees through various recognition programs including those based on performance. All employees are treated fairly and compensated according to industry standards.

AUDITORS

The present auditors, Messrs. BDO Ebrahim & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year ending June 30, 2022. The Board of Directors endorses the recommendation of Audit Committee for their re-appointment as auditors of the Company for shareholders' consideration at the forthcoming Annual General Meeting.

MATERIAL CHANGES AND COMMITMENTS

There has been no material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which this annual report relates and the date of this Director's report.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding of the Company and incidental information as at June 30, 2021, the disclosure of which is required under the reporting framework, is annexed to this report.

The Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

INVESTMENTS IN RETIREMENT BENEFITS

Merit Packaging Limited provides retirement benefits to its employees in the shape of provident fund and gratuity fund.

Value of investment made by staff retirement benefit funds on their respective audited accounts as at December 31, 2020 and June 30, 2020 respectively are as follows:

	(Rs '000')
Provident Fund	106,695
Gratuity Fund	41,026

COMPOSITION OF BOARD

• Male	6
• Female	1
• Total	7

Independent Directors

Mr. Farrukh Shauket Ansari
Mr. Ahmed Munaf
Mr. Ali Asrar Hossain Aga

Non-executive Directors

Mr. Iqbal Ali Lakhani – Chairman
Mr. Amin Mohammed Lakhani
Ms. Anushka Lakhani
Mr. Aftab Ahmad

BOARD MEETINGS AND ATTENDANCE

In 2020-21, eight (8) Board Meetings were held and attended by the Directors as follows to review the Company's complete cycle of activities:

Sr.no.	Director's Name	Meetings Attended
1	Mr. Iqbal Ali Lakhani - (Chairman)	6
2	Mr. Amin Mohammed Lakhani	8
3	Ms. Anushka Lakhani	7
4	Mr. Farrukh Shauket Ansari	8
5	Mr. Aftab Ahmad	1
6	Mr. Ahmed Munaf	1
7	Mr. Ali Asrar Hossain Aga	1
8	Mr. Amir Ahmed Chapra - CEO	3
9	Mr. Tasleemuddin Ahmed Batlay - Retiring Director	7
10	Mr. Shaikh Muhammad Barinuddin - Retiring Director	7
11	Mr. Sheikh Asim Rafiq - Retiring Director	7
12	Mr. Moin M. Fudda - Retiring Director	7
13	Mr. Shahid Ahmed Khan - Ex-CEO	4
14	Mr. Sabir Imtiaz - Ex-Interim CEO	1

AUDIT COMMITTEE

In 2020-21 four (4) Audit Committee Meetings were held and attended by members as follows on a quarterly basis to review its complete cycle of activities:

Member's Name	Meetings Attended
Mr. Shaikh Muhammad Barinuddin - Ex Chairman	2
Mr. Farrukh Shauket Ansari - Chairman	2
Mr. Amin Mohammed Lakhani	4
Mr. Tasleemuddin Ahmed Batlay	4

The accounts of your Company and relevant public announcements were reviewed by the Audit Committee before the approval by the Board.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

In 2020-21 four (4) meeting of Human Resource and Remuneration (HR&R) Committee was held and attended by members as follows:

Member's Name	Meetings Attended
Mr. Shaikh Muhammad Barinuddin - Chairman	4
Mr. Iqbal Ali Lakhani	4
Mr. Tasleemuddin Ahmed Batlay	4
Mr. Sabir Imtiaz	1
Mr. Shahid Ahmed Khan	3

QUALITY MANAGEMENT

Quality management system allows us to understand precisely what the customer needs and to ensure implementation of best business practices through quality systems management in order to deliver accurate solutions on a consistent basis. These certifications help us to stay efficient and customer focused.

CHALLENGES

1. The yearly market growth is around 10%-15% that is shared among major big printers, securing more volume from that growth is challenging as printing industry in Pakistan has become a buyer market where supplied capacity exceeds demanded capacity.
2. Due to inflation and resultant low buying power of the final consumers, lower number of value-added products are available.
3. Supply chain disruptions due to third wave of Covid 19 causing inefficiencies in operations.
4. Higher volatility of basic raw material prices has severe implications on our margins and volumes as it is very challenging to immediately pass on the total impact of incremental costs in the selling prices.

CURRENT OUTLOOK

The twelve months' (FY 20-21) account is marked with economic slowdown, and liquidity crunch in the country that negatively impacted MPL performance. The current economic situation is affecting overall market growth and sales volume of the company.

The other factor is higher financial charges due to utilization of borrowings obtained for working capital requirements for incremental sales.

The sponsors in line with their previous continuous support to the Company have given an interest free long term loan amounting to Rs.200 million on which waiver in the payment of markup has been given for a period of three (3) years from the date of the agreement. The sponsors again in line with their previous continuous support to the Company have rescheduled their interest free short term loan amounting to Rs.150 million into subordinated long-term loan and the waiver in the payment of markup has been further extended for a period of three (3) years from the date of the agreement. This will have a positive impact on the overall financial position of the company.

FUTURE OUTLOOK

The new management team has delivered positive results in the third and fourth quarter of financial year 20-21. With the new management team, your Company is making significant efforts for improving business performance and to expand its customer base, achieve faster production, lower wastages, gear uninterrupted production with more value-added jobs, besides reduction in overheads. It is expected that additional revenue will be generated and will help consolidate overall financial position of the Company in the coming financial year.

The directors have decided to consolidate North operations into South factory to optimize outlook of the company.

The directors, therefore, look forward with confidence to sustain growth by focusing on marketing driven strategies, optimization of resources and adopting cost control measures.

The Directors of your Company are confident that the improved sales with improved customers' services, operational efficiencies and better product mix will reduce the existing pressure on profit and improve overall financial position of the Company soon.

ACKNOWLEDGEMENT

Your Directors of your Company appreciate the support and commitment of all the stakeholders. They are especially thankful to the banks for their continued support.



Iqbal Ali Lakhani
Director



Amir Ahmed Chapra
Chief Executive Officer

Karachi: September 14, 2021

چھوٹ دی گئی ہے جس کی مدت معاہدہ کی تاریخ سے تین (3) سال ہے۔ اسپانسر نے ایک بار پھر کمپنی کو اپنی سابقہ مسلسل حمایت کے مطابق اپنے سود سے پاک قلیل مدتی قرض 150 ملین روپے کو طویل مدتی قرض میں ری شیڈول کیا ہے اور مارک اپ کی ادائیگی میں چھوٹ کو مزید تین (3) سال مدت کے لیے بڑھا دیا گیا ہے۔ اس سے کمپنی کی مجموعی مالیاتی پوزیشن پر مثبت اثر پڑے گا۔

مستقبل کی توقعات

نئی انتظامی ٹیم نے مالی سال 20-21 کی تیسری اور چوتھی سہ ماہی میں مثبت نتائج دیئے ہیں۔ نئی مینجمنٹ ٹیم کے ساتھ، آپ کی کمپنی کاروباری کارکردگی کو بہتر بنانے اور اپنے کسٹمر بیس کو بڑھانے، تیزی سے پیداوار حاصل کرنے، ضائع ہونے کو کم کرنے، زیادہ ویلیو ایڈڈ کام کے ساتھ بغیر کسی رکاوٹ کی پیداوار کے علاوہ اوور ہیڈز میں کمی کے لیے نمایاں کوششیں کر رہی ہے۔ یہ توقع کی جاتی ہے کہ اضافی آمدنی پیدا ہوگی اور آنے والے مالی سال میں کمپنی کی مجموعی مالی پوزیشن کو مستحکم کرنے میں مدد ملے گی۔

ڈائریکٹرز نے کمپنی کو بہتر بنانے کے لیے شمالی فیکٹری کو جنوبی فیکٹری میں مستحکم کرنے کا فیصلہ کیا ہے۔

اس لیے ڈائریکٹرز مارکیٹنگ سے چلنے والی حکمت عملی، وسائل کی اصلاح اور لاگت پر قابو پانے کے اقدامات پر توجہ مرکوز کر کے ترقی کو برقرار رکھنے کے لیے اعتماد کے ساتھ منتظر ہیں۔

آپ کی کمپنی کے ڈائریکٹرز کو یقین ہے کہ بہتر صارفین کی خدمات، آپریشنل استعداد کار اور بہتر پروڈکٹ مکس کے ساتھ بہتر فروخت منافع پر موجودہ دباؤ کو کم کرے گی اور جلد ہی کمپنی کی مجموعی مالیاتی پوزیشن کو بہتر بنائے گی۔

اعتراف

آپ کی کمپنی کے ڈائریکٹرز تمام اسٹیک ہولڈرز کی معاونت اور وابستگی کو خراج تحسین پیش کرتے ہیں۔ وہ بینکس سے ان کے مسلسل تعاون کے لیے خصوصی اظہار تشکر کرتے ہیں۔



عامر احمد چھاپرا
چیف ایگزیکٹو آفیسر



اقبال علی لاکھانی
ڈائریکٹر

کراچی: 14 ستمبر 2021

افرادى وسائل اور اجرت كى كمىٲى

مالى سال 2020-21 كے دوران افرادى وسائل اور اجرتى كمىٲى (HR&R) ك چار (4) اجلاس منعقد ہوئے جس مىں ممبران كى حاضرى درج ذىل رهى:

ممبران كے نام	اجلاسوں مىں شركت كى تعداد
جناب شىخ محمد برىن الدىن (سابقه چىئرمىن)	4
جناب اقبال على لاهانى	4
جناب تسلیم الدىن احمد باٲلے	4
جناب صابرا تمىاز	1
جناب شاہد احمد خان	3

كوالٲى منجمنٹ

كوالٲى منجمنٹ سسٲم همىں كسٲمر كى ضرورت درست طرىقے سے سمجھنے اور مستقل بنىادوں ٲر درست حل كى فراهمى كے لىے كوالٲى سسٲم منجمنٹ كے ذرىعے بہترىن كاروبارى طرىقوں ٲر عمل در آمد كو يقىنى بنانے كے قابل بناتا ہے۔ یہ سرٲفكلىٲس همىں مستعد رہنے اور اپنے كسٲمرز ٲر توجہ مركزز ركھنے مىں مدد دىتے ہىں۔

چىلنجز

- ☆ سالانہ ماركىٹ كى نمو كى شرح تقرىباً 10-15% ہے جو بڑے ٲرنٹرز مىں تقسىم كى جاتى ہے، اس نمو سے مزىد حجم حاصل كرنا دشوار ہے كىونكه ٲاكستان مىں ٲرنٹنگ انڈسٲرى اىك خرىدار ماركىٹ بن چكى ہے جہاں سٲلا كى كى گنجائش ضرورت سے زىادہ ہے۔
- ☆ مہنگائى اور حتمى صارفىن كى كم قوت خرىدارى كى وجہ سے، وىلوىاىڈ مصنوعات كى كم تعداد دستىاب ہے۔
- ☆ كووىڈ 19 كى تىسرى لہر كى وجہ سے سٲلا كى چىن مىں خلل ہوا۔
- ☆ بنىادى خام مال كى قىمتوں مىں زىادہ اتار چڑھاؤ ہمارے مارجن اور حجم ٲر شدىد اثرات مرتب كرتا ہے كىونكه فروخت كى قىمتوں مىں اضافے كے اخراجات كے كل اثرات كو فورى طور ٲر منتقل كرنا بہت مشكل ہے۔

موجودہ صورت حال

- بارہ مہىنوں كا (مالى سال 20-21) اكائونٹ معاشى سست روى اور ملك مىں لىكوىڈىٲى كے بحران سے منسوب ہے جس نے اىم ٲى اىل كى كار كردگى ٲر منفى اثر ڈالا۔ موجودہ معاشى صورتحال ماركىٹ كى مجموعى نمو اور كمپنى كى فروخت كے حجم كو متاثر كر رہى ہے۔
- دوسرا عنصر بڑھتى ہوئى فروخت كے لىے وركنگ كىٲىٲل ضرورىات كے لىے حاصل كىے گئے قرضوں كے استعمال كى وجہ سے زىادہ مالىاتى چارجز ہے۔
- كمپنى كو اپنى سابقہ مسلسل حمايت كے مطابق اسٲانسرز نے 200 ملىن روٲے كے سود سے ٲاك طویل مدتى قرض دىا ہے جس ٲر مارك اپ كى ادائىگى مىں

ڈائریکٹر کا نام	اجلاسوں میں شرکت کی تعداد
جناب اقبال علی لاکھانی (چیئر مین)	6
جناب امین محمد لاکھانی	8
محترمہ انوشکا لاکھانی	7
جناب فرخ شوکت انصاری	8
جناب آفتاب احمد	1
جناب احمد مناف	1
جناب علی اسرار حسین آغا	1
جناب عامر احمد چھاپرا	3
جناب تسلیم الدین احمد باٹلے۔ سابقہ ڈائریکٹر	7
جناب شیخ محمد برین الدین۔ سابقہ ڈائریکٹر	7
جناب شیخ عاصم رفیق۔ سابقہ ڈائریکٹر	7
جناب معین ایم فدا۔ سابقہ ڈائریکٹر	7
جناب شاہد احمد خان۔ سابقہ CEO	4
جناب صابر امتیاز۔ سابقہ انٹیرم CEO	1

آڈٹ کمیٹی

مالی سال 2020-21 کے دوران بورڈ آڈٹ کمیٹی کے چار (4) اجلاس منعقد ہوئے اور کمپنی کے مکمل دائرہ کار کا جائزہ لینے کے لیے ممبران نے سہ ماہی بنیاد پر بمطابق ذیل شرکت کی:

ممبران کے نام	اجلاسوں میں شرکت کی تعداد
جناب شیخ محمد برین الدین (سابقہ چیئر مین)	2
جناب فرخ شوکت انصاری (چیئر مین)	2
جناب امین محمد لاکھانی	4
جناب تسلیم الدین احمد باٹلے	4

آڈٹ کمیٹی نے بورڈ کی طرف سے منظوری سے پہلے آپ کی کمپنی کے اکاؤنٹس اور متعلقہ عام اعلانات کا جائزہ لیا۔

ریٹائرمنٹ بینیفٹس میں سرمایہ کاریاں

میرٹ پیکجنگ لمیٹڈ اپنے ملازمین کو پروویڈنٹ فنڈ اور گریجویٹ فنڈ کی شکل میں ریٹائرمنٹ بینیفٹس فراہم کرتی ہے۔

اسٹاف ریٹائرمنٹ بینیفٹ فنڈ کی طرف سے کی جانے والی سرمایہ کاری کی مالیت ان کے آڈٹ شدہ اکاؤنٹس، بابت 31 دسمبر 2020ء اور 30 جون 2020ء کے مطابق بالترتیب درج ذیل ہے:

(’000 روپے)

106,695

پروویڈنٹ فنڈ

41,026

گریجویٹ فنڈ

بورڈ کی تشکیل

کُل	خاتون	حضرات
7	1	6

خود مختار ڈائریکٹر

جناب فرخ شوکت انصاری

جناب احمد مناف

جناب علی اسرار حسین آغا

نان ایگزیکٹو ڈائریکٹر

جناب اقبال علی لاکھانی - چیئر مین

جناب امین محمد لاکھانی

محترمہ انوشکا لاکھانی

جناب آفتاب احمد

بورڈ کے اجلاس اور حاضری

مالی سال 2020-21 کے دوران بورڈ آف ڈائریکٹرز کے آٹھ (8) اجلاس منعقد ہوئے اور کمپنی کے مکمل دائرہ کار کا جائزہ لینے کے لیے ڈائریکٹرز نے بمطابق ذیل شرکت کی:

کاروباری سماجی ذمہ داری

ایک ذمہ دار کاروباری ادارے کی حیثیت سے ہم سماجی بہبود کا پختہ عزم رکھتے ہیں۔ آپ کی کمپنی اپنی سماجی ذمہ داری کی سختی سے پاسداری کرنے میں یقین رکھتی ہے، اور شہریوں کو جب بھی ضرورت پڑے، ہر ممکن مدد فراہم کرتی ہے۔ ہم اعتراف کرتے ہیں کہ ہم اس وقت تک کاروباری وسعت حاصل نہیں کر سکتے جب تک وہ کمیونٹی کی صحت مند اور مستحکم نہ ہوں جنہیں ہم خدمات مہیا کرتے ہیں اور ایک ذمہ دار کاروباری ادارے کی حیثیت سے جب بھی ضرورت ہو، حسب استطاعت شہریوں کے لیے دست تعاون دراز کرنے کی ہمیشہ کوشش کرتے ہیں، اس بات کو ذہن نشین رکھتے ہوئے کہ کمپنی مالیاتی دباؤ سے دوچار ہے۔

افراد و وسائل کا فروغ

ہمارے افراد ہمارا سب سے قیمتی اثاثہ ہیں۔ ہم ٹیم ورک کی حوصلہ افزائی کرتے ہیں اور اپنے ملازمین کے لیے پرسکون محفوظ ماحول کار مہیا کرنے کا پختہ عزم رکھتے ہیں۔ اس مقصد کے لیے ہر سال جامع ٹریننگ پروگرامز، ورک شاپس اور سیمینارز کا انعقاد کیا جاتا ہے تاکہ ہمارے ملازمین کی صلاحیتیں پروان چڑھ سکیں۔ میرٹ مختلف رکنیشن پروگرامز کے ذریعے اپنے ملازمین کی شناخت اور اعتراف کرتی ہے جس میں کارکردگی پر مبنی پروگرام شامل ہیں۔ تمام ملازمین سے منصفانہ سلوک کیا جاتا ہے اور انہیں انڈسٹری اسٹینڈرڈز کے مطابق معاوضہ دیا جاتا ہے۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز BDO ابراہیم اینڈ کمپنی ریٹائر ہو رہے ہیں اور اہل ہونے کی بنیاد پر خود کو 30 جون 2022 کو ختم ہونے والے سال کے لیے دوبارہ تقرری کے لیے پیش کرتے ہیں۔ بورڈ آف ڈائریکٹرز کمپنی کے آڈیٹرز کی حیثیت سے ان کی دوبارہ تقرری کے لیے آڈٹ کمیٹی کی سفارش کی توثیق کرتا ہے اور آئندہ سالانہ اجلاس عام میں شیئر ہولڈرز کے سامنے ان آڈیٹرز کی دوبارہ تقرری کی تجویز رکھیں گے۔

اہم تبدیلیاں اور معاہدے

کوئی ایسی اہم تبدیلیاں اور معاہدے، جو کمپنی کی فائنیشنل پوزیشن کو متاثر کرے، رونما نہیں ہوئے ہیں جو کمپنی کے گزشتہ مالی سال اور موجودہ ڈائریکٹر رپورٹ کی تاریخ کے دوران ہوئے ہوں۔

پیٹرن آف شیئر ہولڈنگ

30 جون 2021 کے مطابق کمپنی کے شیئر ہولڈنگ پیٹرن اور بشمول اضافی معلومات کو ظاہر کرنے والا ایک گوشوارہ، جس کا انکشاف رپورٹنگ فریم ورک کے تحت درکار ہے، اس رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر، کمپنی سیکرٹری، ان سب کی بیگمات اور کم عمر بچوں نے سال کے دوران کمپنی کے شیئرز کے کسی لین دین میں حصہ نہیں لیا۔

ب۔ نئے اور موجودہ قوانین اور ضوابط کی تعمیل، اور
ج۔ کاروباری امکانات متاثر کرنے والی سیاسی بے یقینی

(3) آپریشنل خطرات

- یہ ایسے خطرات ہیں جو کمپنی کے داخلی آپریشنز، انتظامی طریقہ کار اور روزمرہ معاملات سے متعلق ہوتے ہیں۔ ممکنہ خطرات درج ذیل ہیں:
- i۔ کمپنی کو موثر انٹرنل کنٹرولز کی غیر موجودگی میں بالفاظ معیار اور مقدار نقصانات کے نتیجے میں مالیاتی بے ضابطگیوں کا سامنا کرنا پڑ سکتا ہے،
 - ii۔ ٹیکنالوجی میں تبدیلی پیداواری عمل کو فرسودہ اور مہنگا بنا سکتی ہے،
 - iii۔ بجلی کا جاری سخت بحران،
 - iv۔ وینڈر کی آپریشنل / مالیاتی مجبوریات اور ان کا کوالٹی کا گرتا ہوا معیار،
 - v۔ ممکنہ آپریشنل خرابیوں یا قدرتی آفات کے نتیجے میں ڈیٹا ضائع ہونے کی وجہ سے بندشیں
 - vi۔ ممکن ہے کوالیفائیڈ اور لائق اسٹاف کافی تعداد میں دستیاب نہ ہو،
 - vii۔ ممکن ہے آپریشنز فریب دہی کی سرگرمیوں کا نشانہ بن جائیں، اور
 - viii۔ کام کی جگہ پر ضربات اور حادثات

(4) مالیاتی خطرات

- یہ خطرات مالیاتی معاملات بشمول منافع کمانے کی اہلیت، فنڈنگ، لیکویڈیٹی اور کریڈٹ سے متعلق ہیں اور ان میں درج ذیل شامل ہیں:
- i۔ غیر ملکی کرنسیوں کے مقابلے میں پاکستانی روپے کی قدر میں کمی کمپنی کی مالیاتی کارکردگی پر منفی اثرات مرتب کر سکتی ہے،
 - ii۔ جب کمپنی کے پاس تیار کیش کی کمی ہو اور اسے اپنی مالیاتی ذمہ داری پوری کرنے میں مشکل کا سامنا ہو تو لیکویڈیٹی سے متعلق خطرہ سامنے آتا ہے۔
 - iii۔ طویل مدتی اور مختصر مدتی قرضوں سے متعلق شرح سود میں اتار چڑھاؤ کے نتیجے میں شرح سود سے متعلق خطرات۔
 - iv۔ کسی کسٹمر کی طرف سے تجارتی وصولیوں سے متعلق اس کی معاہدہ جاتی ذمہ داری پوری کرنے میں ناکامی کی صورت میں کمپنی کو ہونے والا مالیاتی نقصان۔
- انتظامیہ مندرجہ بالا خطرات کم کرنے کے لیے بہترین مشقوں اور تمام لاگو قوانین سمیت مختلف عوامل پر غور و خوض کرتی ہے۔

سیفٹی، سیکورٹی، ہیلتھ اور ماحولیات

میرٹ پیکجنگ تمام ملازمین کو خطرے سے پاک اور محفوظ کام کا ماحول فراہم کرتی ہے۔ کمپنی ہمارے روزمرہ کاروباری امور میں ایک بے خطر، محفوظ اور صحت مند ماحول کو فروغ دینے کے پختہ عزم کے لیے ٹھوس اقدامات کرنے کا سلسلہ جاری رکھے ہوئے ہے۔ ملازمین کو ماحولیات، صحت اور تحفظ کے حوالے سے باقاعدہ بنیاد پر تربیت دی جاتی ہے جو انہیں خود کو اور دوسرے افراد کو اور ماحول کو نقصان پہنچائے بغیر بحفاظت اپنے فرائض انجام دینے کے قابل بناتی ہے۔ کام کے خطرے سے محفوظ ماحول یقینی بنانے کے لیے فرسٹ ایڈ ایکوپمنٹ اور فائر فائٹنگ ایکوپمنٹ قابل استعمال حالت میں رکھے جاتے ہیں۔

☆ کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

☆ کمپنی کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

☆ مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی ہے، ماسوائے اسٹینڈرڈ، ٹرانزیم یا تشریحات کے موجودہ اسٹینڈرڈز پر ابتدائی اطلاق کے نتیجے میں رونما ہونے والی تبدیلیوں کے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

☆ بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جیسا کہ پاکستان میں لاگو ہوتا ہے، مالی بیانات کی تیاری میں پیروی کی گئی ہے اور وہاں سے کسی بھی روانگی کو مناسب طور پر ظاہر کیا گیا ہے اور پیروی کی گئی ہے۔

☆ انٹرنل کنٹرول کا نظام اپنی ساخت کے اعتبار سے مستحکم اور مؤثر انداز میں نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔

☆ کمپنی کی کاروباروں والوں کو رکھنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔

☆ گزشتہ چھ سال کا اہم کاروباری اور مالیاتی ڈیٹا اس رپورٹ کے ہمراہ منسلک ہے۔

☆ ٹیکسوں، ڈیوٹیز، محصولات اور واجب الادا چارجز کے بارے میں معلومات نوٹس میں مناسب انداز میں ظاہر کی گئی ہیں جو منسلک مالیاتی گوشواروں کا حصہ ہیں۔

☆ کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو بھی نہیں کی گئی۔

کمپنی کو درپیش خطرات

جیسا کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کا تقاضا ہے، بورڈ آف ڈائریکٹرز، بورڈ کی آڈٹ کمیٹی اور سینیئر منیجمنٹ کی ٹیموں نے کمپنی کے چیف ایگزیکٹو آفیسر کی قیادت میں یہ یقینی بنانے کے لیے کاروباری رسکس کا اطلاق کیا اور جائزہ لیا ہے کہ منیجمنٹ کی ٹیمیں اثاثہ جات، وسائل، شہرت اور کمپنی اور شیئرز ہولڈرز کے مفادات کی حفاظت کے لیے رسک آئیڈنٹیفیکیشن، رسک منیجمنٹ اور انٹرنل کنٹرولز کا ایک مستحکم سسٹم برقرار رکھ سکیں۔ کمپنی پر ممکنہ اثرات مرتب کرنے والے خطرات کی مختلف کیٹیگریز درج ذیل ہیں:

(1) اسٹریٹجک خطرات:

یہ خطرات کاروباری ماحول بشمول انڈسٹری سے متعلق ہیں اور کمپنی کے کنٹرول سے باہر ہیں۔ اس کیٹیگری کے تحت کمپنی کو مقامی مارکیٹوں میں کارپوریٹ اور نان کارپوریٹ دونوں طرح کے حریفوں کی طرف سے سخت مقابلے کا خطرہ درپیش ہے۔

(2) تجارتی خطرات

یہ خطرات کسی ادارے کی تجارتی املاک (substance) سے پیدا ہوتے ہیں اور اس میں ایسے فیصلے شامل ہوتے ہیں جو کمپنی کی مارکیٹ میں پوزیشن پر اثر انداز ہو سکتے ہیں۔ اس کیٹیگری کے تحت کمپنی پر اثر انداز ہونے والے خطرات درج ذیل ہیں:

۱۔ پاکستانی روپے کی قدر میں کمی کے نتیجے میں خام مال اور دیگر پیداواری لاگوں میں ردوبدل

ڈائریکٹرز رپورٹ

میرٹ پیکجنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے ہم 30 جون 2021ء کو ختم ہونے والے سال کے لیے ڈائریکٹرز رپورٹ مع کمپنی کے 41 ویں سالانہ آڈٹ شدہ مالیاتی گوشوارے پیش خدمت کرتے ہیں۔

کارکردگی کا جائزہ

اہم اعداد و شمار

2019-20	2020-21	
(ہزار روپے)	(ہزار روپے)	
2,158,386	2,902,559	فروخت - خالص
(198,702)	(42,399)	مجموعی منافع / (نقصان)
(416,429)	(217,753)	آپریٹنگ منافع / (نقصان)
(769,441)	(544,716)	قبل از ٹیکس نقصان
(692,679)	(564,978)	بعد از ٹیکس نقصان
(فی شیئر روپے)	(فی شیئر روپے)	
(8.59)	(7.01)	فی شیئر نقصان

آپریٹنگ نتائج

گزشتہ مالی سال میں 2.1 ارب روپے کے مقابلے میں جون 2021ء کو ختم ہونے والے سال کے دوران خالص فروخت 2.9 ارب روپے رہی جس سے 744 ملین روپے یا 34.5% کا اضافہ ظاہر ہوتا ہے۔ گزشتہ سال کے 769 ملین روپے کے مقابلے میں جون 2021ء کو ختم ہونے والے سال کے لیے کمپنی کا قبل از ٹیکس خسارہ 545 ملین روپے رہا۔

کاروباری نظم و نسق کے ضابطے (Code of Corporate Governance) کی تعمیل

کاروباری نظم و نسق کے ضابطے کی تعمیل کا گوشوارہ رپورٹ کے ساتھ منسلک ہے۔

آپ کی کمپنی اچھے نظم و نسق کی پابندی کے لیے پرعزم ہے بورڈ آف ڈائریکٹرز مالیاتی فریم ورک میں اپنی ذمہ داریوں کو تسلیم کرتے ہیں۔ ڈائریکٹرز اعتراف کرتے ہیں کہ:

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

For the Year Ended June 30, 2021

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:

a.	Male	6
b.	Female	1

2. The composition of the Board is as follows:

Independent Directors	Mr. Farrukh Shauket Ansari Mr. Ahmed Munaf Mr. Ali Asrar Hossain Aga
Other Non-executive Directors	Mr. Iqbal Ali Lakhani – Chairman Mr. Amin Mohammed Lakhani Ms. Anushka Lakhani Mr. Aftab Ahmad
Executive Director	--
Female Directors	Ms. Anushka Lakhani

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Majority of the Directors of the Company are completed/exempted from the requirement of Directors' Training program.

10. The Board has approved appointment of Chief Financial Officer and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. Mr. Mansoor Ahmed was assigned the responsibilities of Company Secretary of the Company in addition to his responsibilities in other group companies.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

Audit Committee	Mr. Farrukh Shauket Ansari – Chairman Mr. Amin Mohammed Lakhani – Member Mr. Ahmed Munaf – Member
HR and Remuneration Committee	Mr. Ali Asrar Hossain Aga - Chairman Mr. Amin Mohammad Lakhani - Member Mr. Amir Ahmed Chapra – Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committees were as per following:

- | | | |
|----|-------------------------------|----------------------|
| a. | Audit Committee | 4 quarterly meetings |
| b. | HR and Remuneration Committee | 1 annual meeting |

15. The board has set up an effective internal audit function comprising of personnel who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

19. We confirm that the Company has complied with respect to all the material requirements of the regulations.



Iqbal Ali Lakhani
Chairman



Amir Ahmed Chapra
Chief Executive Officer



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 Pakistan

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MERIT PACKAGING LIMITED ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Merit Packaging Limited for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2021.

KARACHI

BDO EBRAHIM & CO.
 CHARTERED ACCOUNTANTS
 Engagement Partner: Qasim E. Causer

DATED: SEPTEMBER 14, 2021

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERIT PACKAGING LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **MERIT PACKAGING LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2021 and statement of profit or loss, statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the loss and other comprehensive loss, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No	Key audit matters	How the matter was addressed in our audit
1.	TRADE DEBTS	
	<p>As disclosed in note 14 to the accompanying financial statements of the company for the year ended June 30, 2021, the Company has a trade debt balance amounting to Rs. 651.600 million, which represents a significant element of Statement of financial position.</p> <p>A discrepancy in the valuation or existence of trade debt could cause the assets to be materially misstated, which would impact the Company's reported financial position as the valuation of aforesaid head is one of the main drivers of movements in the assets of the Company.</p> <p>Management estimates the collectible amount of debt. For significant account balances, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time that the amount is past due.</p> <p>In view of the significance of trade debts in relation to the total assets of the company, we considered impairment of trade receivables as a key audit matter due to the significant management judgment involved in determining the allowance for expected credit losses and that the existence and carrying value of trade receivables could be material to the performance of the company.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • We tested the design and effectiveness of internal controls implemented by the Company through the trade receivables cycle. • We circularized confirmation to the sample of debtors with the outstanding balance at the year end. • We examined on a sample basis; evidence related to post year-end cash receipts. • We considered the appropriateness for expected credit losses (ECL) against trade receivables as per the Company's policy and assessed compliance with applicable accounting standards. • We reviewed the methodology developed and applied by the Company to estimate the ECL in relation to trade debts. We also considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimates. • We evaluated the relevance, completeness, and accuracy of the source data used for computation of ECL.

S. No	Key audit matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • We considered managements assumptions used in determining expected credit losses (ECL) for both specific and collective losses components. • We checked the mathematical accuracy of the ECL model by performing recalculation on test basis. The adequacy of the disclosures presented in the financial statements regarding allowance for ECL was also assessed, based on the applicable accounting standards and requirements of Companies Act, 2017.

S. No	Key audit matters	How the matter was addressed in our audit
2.	PROPERTY, PLANT AND EQUIPMENT	
	<p>With reference to notes 5.1, 5.2, 6 and 7 to the financial statements, the Company continued to invest in capital projects. Capital expenditure requires consideration of the nature of the costs incurred to ensure that their capitalization in property, plant and equipment meets the specific recognition criteria in the Company's accounting policy, in particular for assets constructed by the Company, and the useful economic lives assigned by management are appropriate. Further during the year, the Company revalued its property, plant and equipment resulting in recognition of revaluation surplus amounting to Rs. 486.057 million. Such revaluation was carried out by an independent valuer who took into account various factors.</p> <p>Due to above reasons, we considered this area as a key audit matter.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Assessing and testing the design and operation of its key controls over capital expenditure and testing the amounts capitalized to supporting evidence and evaluating whether assets capitalized satisfied the required recognition criteria. We also assessed the useful economic lives assigned with reference to the Company's historical experience, including assessing the level of fully depreciated assets held by the Company. • We reviewed the minutes of the Company's Board of Directors and Audit Committee to evaluate the completeness of management's consideration of any events that warranted changes to the useful economic lives. • We visited the sites where capital projects are ongoing to understand the nature of the projects. • The adequacy of the disclosures presented in the financial statements regarding property, plant and equipment was also assessed, based on the applicable accounting standards and requirements of Companies Act, 2017. • We enquired about the qualification of the managements' independent valuer and reviewed the revaluation report to understand the basis and methodology used for such valuation. • We also assessed the adequacy of the related disclosures in the financial statements in accordance with applicable financial reporting standards relating to change in accounting policy.

S. No	Key audit matters	How the matter was addressed in our audit
3.	<p data-bbox="268 180 533 205">REVENUE (SALES – NET)</p> <p data-bbox="256 216 831 315">As disclosed in note 33 to the accompanying financial statements, the Company has net sale amounting to Rs. 2,902.559 million which represents a significant element of the statement of profit or loss.</p> <p data-bbox="256 338 831 411">As such, revenue recognition is not an area of significant risk for our audit but does require significant time and resource to audit due to its magnitude.</p> <p data-bbox="256 434 831 533">The risk of material misstatement was considered significant due to high control risk on completeness and accuracy of revenue and high inherent risk of fraud on existence of revenue.</p> <p data-bbox="256 577 831 720">Sale return, discounts and risk of manual adjustments are also considered areas of high control risk as the products are custom made under customer's specification and respective acceptance of deliveries is the crucial to complete the performance obligation for satisfying revenue recognition criteria.</p> <p data-bbox="256 743 831 816">In view of the significance of sales and high assessed risk of material misstatement revenue is considered as key audit matter.</p>	<p data-bbox="863 226 1230 252">Our procedures included the following:</p> <ul data-bbox="863 275 1441 1115" style="list-style-type: none"> <li data-bbox="863 275 1441 373">• We tested the design and operating effectiveness of key controls in relation to the recognition of revenue, with particular focus on controls over the agreed prices and performance obligation. <li data-bbox="863 396 1441 470">• We tested the revenue recognized to amounts invoiced to customers and the subsequent receipt of payment from those customers. <li data-bbox="863 577 1441 699">• Revenue not billed to customers, we selected individual transactions to test they were appropriately recorded as revenue in the correct period and also inspected the subsequent receipt of payment or confirmed amounts with customers. <li data-bbox="863 722 1441 844">• We considered the consistency of application of revenue recognition policy in respect of sales returns, discounts and change orders are traced back to movement of inventory also we reviewed near to year-end sales and sales return or reversals subsequent to year end. <li data-bbox="863 867 1441 989">• In order to assess where processes and controls may have been circumvented and inappropriate manual adjustments made to revenue, we performed sales analysis to identify unusual transactions. Having identified those transactions, we traced a sample to supporting documentary evidence. <li data-bbox="863 1012 1441 1115">• We discussed with management monitoring and reporting process, to mitigate inherent risk of fraud on existence of revenue and evaluated management override of control on revenue recognition process.

Information Other than the Financial Statements and Auditor's Report There on

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The engagement partner on the audit resulting in this independent auditor's report is Qasim E. Causer.

KARACHI
DATE: 14th September 2021



BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Note	2021 (Rupees)	2020 (Rupees)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	3,005,132,356	2,884,731,747
Capital work in progress	7	23,100,727	-
		3,028,233,083	2,884,731,747
Intangible assets	8	751,946	574,097
Long-term loans	9	96,000	251,550
Long-term deposits	10	5,085,605	10,181,573
Deferred taxation	11	176,481,810	174,091,049
		3,210,648,444	3,069,830,016
CURRENT ASSETS			
Stores and spares	12	85,946,045	78,151,008
Stock-in-trade	13	537,334,830	520,444,211
Trade debts	14	651,599,845	547,513,940
Loans and advances	15	40,255,758	13,062,503
Trade deposits and short-term prepayments	16	2,625,000	1,427,000
Other receivables	17	13,140,740	1,395,255
Tax refund due from Government	18	430,641,474	445,358,409
Taxation - net	19	-	26,970,098
Cash and bank balances	20	3,539,259	9,335,125
		1,765,082,951	1,643,657,549
		4,975,731,395	4,713,487,565
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
200,000,000 (2020: 200,000,000) ordinary shares of Rs. 10/-each	21	2,000,000,000	2,000,000,000
Issued, subscribed and paid-up capital	22	806,283,980	806,283,980
Surplus on revaluation of property, plant and equipment	23	805,184,644	327,691,832
Capital reserve			
Equity portion of loan - associated company		537,219,187	465,338,060
Revenue reserves			
General reserves		106,800,000	106,800,000
Accumulated losses		(1,706,171,430)	(1,134,820,028)
		549,316,381	571,293,844
NON-CURRENT LIABILITIES			
Sub-ordinated loan	24	225,381,199	93,083,866
Long-term financing	25	2,182,276,611	2,282,435,097
Long-term deposits		99,583	346,987
Long term lease liability	26	-	71,472,518
Deferred capital grant	27	526,148	638,141
		2,408,283,541	2,447,976,609
CURRENT LIABILITIES			
Trade and other payables	28	800,833,545	593,066,824
Mark-up accrued	29	26,892,803	54,465,091
Taxation - net	19	8,478,358	-
Short-term borrowings	30	785,496,744	938,534,478
Un-claimed dividend		129,143	129,143
Current portion of deferred capital grant	27	2,260,723	1,428,167
Current portion of lease liability	26	-	11,369,280
Current portion of long-term financing	31	394,040,157	95,224,129
		2,018,131,473	1,694,217,112
		4,975,731,395	4,713,487,565
TOTAL EQUITY AND LIABILITIES			

CONTINGENCIES AND COMMITMENTS

32

The annexed notes from 1 to 55 form an integral part of these financial statements.


Iqbal Ali Lakhani
Chairman

Amir Ahmed Chapra
Chief Executive Officer

Muhammad Sohail
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rupees)	2020 (Rupees)
Sales - net	33	2,902,559,086	2,158,386,265
Cost of sales	34	(2,944,958,201)	(2,356,772,914)
Gross loss		(42,399,115)	(198,386,649)
General and administrative expenses	35	(86,354,773)	(88,961,001)
Selling and distribution expenses	36	(49,394,407)	(43,123,147)
Other income	37	17,147,595	3,519,440
Other operating expenses	38	(56,752,771)	(89,478,132)
		(175,354,356)	(218,042,840)
Operating loss		(217,753,471)	(416,429,489)
Financial charges	39	(326,962,577)	(353,011,461)
Loss before taxation		(544,716,048)	(769,440,950)
Taxation	40	(20,261,516)	76,761,474
Net loss for the year		(564,977,564)	(692,679,476)
Loss per share - basic and diluted	41	(7.01)	(8.59)

The annexed notes from 1 to 55 form an integral part of these financial statements.



Iqbal Ali Lakhani
Chairman



Amir Ahmed Chapra
Chief Executive Officer



Muhammad Sohail
Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rupees)	2020 (Rupees)
Net loss for the year		(564,977,564)	(692,679,476)
Other comprehensive income / (loss)			
Items that will not be reclassified subsequently to statement of profit and loss:			
Actuarial losses / (gain) on remeasurement of post employment benefit plans	42.1.6	(11,213,361)	9,494,687
Deferred tax asset / (liability)		3,251,875	(2,753,459)
		(7,961,486)	6,741,228
Surplus on revaluation of property, plant and equipment	23	486,057,020	-
Deferred tax liability		(6,976,560)	-
		479,080,460	-
Transfer in respect of impairment on property, plant and equipment during the year	23	-	(593,818)
Deferred tax asset		-	(172,207)
		-	(421,611)
Total comprehensive loss for the year		(93,858,590)	(686,359,859)

The annexed notes from 1 to 55 form an integral part of these financial statements.



Iqbal Ali Lakhani
Chairman



Amir Ahmed Chapra
Chief Executive Officer



Muhammad Sohail
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2021

			Capital Reserves	Revenue Reserves			
	Issued, subscribed and paid-up capital	Surplus on revaluation of property, plant and equipment	Equity portion of loan from associated company	General Reserve	Accumulated losses	Total	Total
	Rupees						
Balance as at July 01, 2019	806,283,980	329,410,997	216,299,071	106,800,000	(446,178,699)	(339,378,699)	1,012,615,349
Total comprehensive loss for the year ended June 30, 2020							
Loss for the year	-	-	-	-	(692,679,476)	(692,679,476)	(692,679,476)
Other comprehensive (loss) / income for the year - net of tax	-	(421,611)	-	-	6,741,228	6,741,228	6,319,617
	-	(421,611)	-	-	(685,938,248)	(685,938,248)	(686,359,859)
Transferred to unappropriated profit on account of incremental depreciation (net of tax) - note 23	-	(1,297,554)	-	-	1,297,554	1,297,554	-
Share issue costs	-	-	-	-	(4,000,635)	(4,000,635)	(4,000,635)
Transaction with owners							
Equity portion of loan - note 24 and 25	-	-	249,038,989	-	-	-	249,038,989
Balance as at June 30, 2020	806,283,980	327,691,832	465,338,060	106,800,000	(1,134,820,028)	(1,028,020,028)	571,293,844
Balance as at July 1, 2020	806,283,980	327,691,832	465,338,060	106,800,000	(1,134,820,028)	(1,028,020,028)	571,293,844
Total comprehensive loss for the year ended June 30, 2021							
Loss for the year	-	-	-	-	(564,977,564)	(564,977,564)	(564,977,564)
Other comprehensive income / (loss) for the year - net of tax	-	479,080,460	-	-	(7,961,486)	(7,961,486)	471,118,974
	-	479,080,460	-	-	(572,939,050)	(572,939,050)	(93,858,590)
Transferred to unappropriated profit on account of incremental depreciation (net of tax) - note 23	-	(1,587,648)	-	-	1,587,648	1,587,648	-
Transaction with owners							
Equity portion of loan - note 24 and 25	-	-	71,881,127	-	-	-	71,881,127
Balance as at June 30, 2021	806,283,980	805,184,644	537,219,187	106,800,000	(1,706,171,430)	(1,599,371,430)	549,316,381

The annexed notes from 1 to 55 form an integral part of these financial statements.



Iqbal Ali Lakhani
Chairman



Amir Ahmed Chapra
Chief Executive Officer



Muhammad Sohail
Chief Financial Officer

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rupees)	2020 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	43	41,546,841	(446,552,673)
Taxes refund / (paid) - net		26,211,548	(26,970,098)
Financial charges paid		(191,437,972)	(279,062,766)
Net cash used in operating activities		(123,679,583)	(752,585,537)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure	7.1	(48,308,183)	(97,496,861)
Proceeds from sale of property, plant and equipment	6.9	82,610,945	4,765,740
Intangible assets	8	(456,923)	-
Long-term loans and advances		155,550	279,800
Long-term deposits		4,848,565	1,024,895
Net cash generated from / (used in) investing activities		38,849,954	(91,426,426)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		398,704,566	1,123,165,075
Repayment of long term financing		(154,349,692)	(186,349,926)
Repayment of short term financing		(150,000,000)	(300,000,000)
Proceeds from short term financing (excluding running finance)		-	300,000,000
Principal paid on long term lease liabilities		(11,369,280)	(8,450,856)
Authorized capital increase cost		-	(4,000,635)
Ijarah lease rentals payment - net		(914,097)	(990,138)
Net cash generated from financing activities		82,071,497	923,373,520
Net (decrease)/increase in cash and cash equivalents		(2,758,132)	79,361,557
Cash and cash equivalents at beginning of the year		(779,199,353)	(858,560,910)
Cash and cash equivalents at end of the year		(781,957,485)	(779,199,353)
CASH AND CASH EQUIVALENTS:			
Cash and bank balances	20	3,539,259	9,335,125
Short-term running finance	30	(785,496,744)	(788,534,478)
		(781,957,485)	(779,199,353)

The annexed notes from 1 to 55 form an integral part of these financial statements.



Iqbal Ali Lakhani
Chairman



Amir Ahmed Chapra
Chief Executive Officer



Muhammad Sohail
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

1. NATURE AND STATUS OF THE COMPANY

- 1.1** Merit Packaging Limited ("the Company") was incorporated on January 28, 1980 in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on the Pakistan Stock Exchange. The registered office of the Company is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi. The Company is mainly engaged in the manufacture and sale of printing and packaging materials.
- 1.2** The Company incurred net loss after tax for the year ended June 30, 2021 amounting to Rs.564.977 million (2020: Rs.692.679 million loss) and its accumulated losses as at June 30, 2021 amounted to Rs. 1,706.171 million (2020: Rs.1,134.820 million). These losses have been supported through loans by the associated company from time to time. During the year ended June 30, 2021, the Company has obtained interest free loan from associated undertaking amounting to Rs. 200 million to meet its working capital requirement. The Company intends to review its operating costs and streamline operations to move towards profitability in near term. As part of the restructuring of the business activities, the Company shall also consider any capital structuring alternatives.

2. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is located at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi, Pakistan. The two factories of the Company are located at Plot No. 17-B, Sector 29, Korangi Industrial Township, Karachi, Pakistan, and 5 Kilometer, Raiwind Manga Road, Near Glamour Adda, Lahore, Pakistan.

Lahore factory has been shut down and consolidated with Karachi factory in pursuance to the decision of the Board in its meeting held on April 28, 2021.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of :

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for revaluation of certain property, plant and equipment at fair value and recognition of certain employees retirement benefits at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

3.3 Use of estimates and judgements:

The preparation of these financial statements in conformity with approved accounting standards requires the management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historic experience and other factors including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 5.25.

3.4 Functional and presentation currency

The financial statements are presented in Pak Rupees ("Rs"), which is the Company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2021

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendments to IFRS 16 'Leases' - Covide - 19 related rent concessions	June 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020

Certain annual improvements have also been made to a number of IFRSs.

4.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covide - 19 related rent concessions	April 01, 2021
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Effective date (annual periods beginning on or after)
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First time adoption of International Financial Reporting Standard
IFRS 17	Insurance Contracts

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Property, plant and equipment

5.1.1 Owned

These are stated at cost less accumulated depreciation and impairment losses, if any, except for leasehold land, building on leasehold land and plant and machinery which are stated at revalued amount less accumulated depreciation, if any.

Depreciation is charged using the straight line method, whereby the cost or revalued amount of an asset less estimated residual value, if not insignificant, is written off over its estimated useful life.

The asset's residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant. Full month's depreciation is charged on addition, while no depreciation is charged in the month of disposal or deletion of assets.

Incremental depreciation charged for the year on revalued assets is transferred from surplus on revaluation of property, plant and equipment to retained earnings during the year.

Maintenance costs and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably and the assets so replaced, if any, are retired.

Gains and losses on disposal of property, plant and equipment are taken to the profit and loss account, and the related surplus on revaluation is transferred directly to retained earnings.

5.1.2 Leased

a) Right of use assets

The right-of-use asset is initially measured at the amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using straight line method from the date of commencement date to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

b) Lease liability

The lease liability is initially measured at the present value of the future lease payments over the lease term, discounted using the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

5.1.3 Capital work-in-progress

Capital work-in-progress are stated at cost and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

5.2 Intangible assets

These are stated at cost less accumulated amortization and impairment loss, if any. Amortization is charged to profit and loss account over the useful life of the asset on a systematic basis applying the straight line method.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Company.

5.3 Stores and spares

Stores and spares are stated at cost which is determined by using weighted average method except for goods in transit and in bond which are valued at cost comprising invoice value plus other charges paid thereon. Adequate provision is made for slow moving and obsolete items on periodic basis.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as operating fixed assets under "Plant and machinery" category and are depreciated over a time period not exceeding the useful life of the related assets.

5.4 Stock-in-trade

Stock-in-trade are stated at lower of weighted average cost and net realizable value, except for goods in transit and in bond which are stated at cost. Cost of work-in-process and finished goods comprises cost of direct material, labor and appropriate portion of manufacturing overheads. Adequate provision is made for slow moving and obsolete items on periodic basis.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred to make the sale.

5.5 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount being the fair value of the consideration to be received in future. An estimated allowance for expected credit losses is made against trade debts on the basis of lifetime expected credit loss model whereas debts considered irrecoverable are written off.

5.6 Taxation

5.6.1 Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

5.6.2 Deferred

Deferred tax is recognized using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

The Company recognizes deferred tax asset/liability on deficit/surplus on revaluation of property, plant and equipment which is adjusted against the related deficit/surplus.

5.7 Surplus on revaluation of property, plant and equipment

Any revaluation increase arising on the revaluation of land, buildings, leasehold improvements and plant and machinery is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings, leasehold improvements and plant and machinery is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset.

The revaluation reserve is not available for distribution to the Company's shareholders. The surplus on revaluation to the extent of incremental depreciation charged (net of deferred tax) is transferred to accumulated profit / (loss).

5.8 Borrowings and their cost

Borrowings are recognized initially at fair value net of transaction cost incurred.

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

5.9 Trade and other payables

Liabilities for trade and other amounts payable are stated at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

5.10 Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and amount of that obligation can be measured reliably. Provisions are not recognised for future operating losses. Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

5.11 Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that assets other than stores and spares, stock in trade and deferred tax assets may be impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any.

Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

5.12 Financial instruments

5.12.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at the reporting date are carried at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- (i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial asset is initially measured at fair value plus transaction costs that are directly attributable to its acquisition.

Impairment

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs under simplified approach and 12-months are life time under general approach.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

5.12.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respect of carrying amounts is recognized in the statement of profit or loss.

5.13 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.14 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupees at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing at the reporting date. Foreign exchange differences are recognized in the statement of profit or loss.

5.15 Employee retirement benefits

5.15.1 Defined benefit plan

The Company has a gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The Gratuity Fund is maintained by a trust created and duly approved. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out at June 30, 2021 using the projected unit credit method (refer note 42). The remeasurement gains/losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

5.15.2 Defined contribution plan

The Company operates a recognized provident fund scheme covering all permanent employees. Equal contributions are made to the Fund by the Company and the employees in accordance with the rules of the scheme.

5.15.3 Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences accrue.

5.16 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities. Revenue from sale of goods is shown net of sales tax and sales discounts, if any.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

- Sale of goods is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.
- Scrap sales are recognized on delivery to customers at realized amounts.
- Profit on bank deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.

5.17 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balance with banks. Cash and cash equivalents also include bank overdrafts / short term financing that are repayable on demand and form an integral part of the Company's cash management.

5.18 Deferred Capital Grant

The Company recognises benefit of a government loan at a below-market rate of interest as a government grant provided there is a reasonable assurance that the grant will be received and Company will comply with all attached conditions. The benefit of loan at below market rate of interest is measured as the difference between the initial carrying value of the loan in accordance with IFRS 9 and the proceeds received. The benefit is generally accounted for and presented as deferred grant as a separate line item in statement of financial position. Subsequently, the grant is recognized in the statement of profit or loss as other income, on a systematic basis over the periods in which the related finance cost for which the grant is intended to compensate is incurred.

5.19 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

5.20 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs directly attributable to the issue of new shares are shown as a deduction in equity.

5.21 Earnings / loss per share

The Company presents earnings / loss per share data for its ordinary shares. Basic earnings / loss per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period.

5.22 Related parties transactions

Transactions with related parties are based at an arm's length price and the transfer price is determined in accordance with the comparable uncontrolled price method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

5.23 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

5.24 Significant accounting judgements and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

5.24.1 Defined benefit plan

Certain actuarial assumptions have been adopted as disclosed in note 42 to these financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect actuarial gains / losses recognized in those years with corresponding effect on carrying amount of defined benefit plan liability / asset.

5.24.2 Provision for taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the tax authorities at the assessment stage and where the Company considers that it's view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

5.24.3 Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external and internal professional valuers and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

5.24.4 Stores, spares and stock in trade

The Company has made estimates for realizable amount of slow moving and obsolete stores, spares and stock-in-trade to determine provision for slow moving and obsolete items. Any future change in estimated realizable amounts might affect carrying amount of stores, spares and stock-in-trade with corresponding affect on amounts recognized in statement of profit and loss as provision/reversal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

6 Operating fixed assets

The following is the statement of operating fixed assets:

Description	Leasehold land (note 6.1)	Building / Improvements on leasehold land	Plant and machinery (note 6.3)	Cylinders and dies	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Electrical installation	Right of use asset	Total
Rupees											

Net carrying value basis year ended June 30, 2021

Opening net book value	307,999,980	250,465,416	2,165,524,590	27,697,609	4,367,520	8,677,318	2,201,054	7,075,045	42,471,815	68,251,400	2,884,731,747
Addition (at cost) - note 7.1	-	-	20,030,058	-	49,200	800,000	1,622,038	2,176,160	530,000	-	25,207,456
Revaluation surplus - note 23	461,999,970	8,810,900	15,246,150	-	-	-	-	-	-	-	486,057,020
Disposal (NBV) - note 6.8	-	-	(88,304,001)	(1,070,009)	-	(1,136,943)	-	-	-	-	(90,510,953)
Assets write off	-	(16,997,164)	-	-	-	-	-	-	-	(53,084,422)	(70,081,586)
Depreciation charged - note 6.4	-	(20,624,203)	(159,845,270)	(22,717,823)	(698,517)	(1,181,423)	(1,344,745)	(1,080,276)	(3,385,003)	(15,166,978)	(226,044,238)
Impairment (charged) / reversal - note 37 & 38	-	1,821,975	(6,049,065)	-	-	-	-	-	-	-	(4,227,090)
Closing net book value (refer note 6.2)	769,999,950	223,476,924	1,946,602,462	3,909,777	3,718,203	7,158,952	2,478,347	8,170,929	39,616,812	-	3,005,132,356

Gross carrying value basis year ended June 30, 2021

Cost / revalued amount	769,999,950	316,441,575	2,596,424,716	21,435,307	10,929,320	18,879,055	10,986,406	17,182,791	62,038,357	-	3,824,317,477
Accumulated depreciation	-	(92,453,407)	(636,526,332)	(17,525,530)	(7,211,117)	(11,720,103)	(8,508,059)	(9,011,862)	(22,361,345)	-	(805,317,755)
Accumulated impairment	-	(511,244)	(13,295,922)	-	-	-	-	-	(60,200)	-	(13,867,366)
Closing net book value (refer note 6.2)	769,999,950	223,476,924	1,946,602,462	3,909,777	3,718,203	7,158,952	2,478,347	8,170,929	39,616,812	-	3,005,132,356

Depreciation rate (% per annum)

-	2.0% to 5.83%	2.90% to 33.33%	40%	6.67% to 33.33%	6.67% to 33.33%	5.88% to 50%	4% to 50%	4% to 50%	-
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Net carrying value basis year ended June 30, 2020

Opening net book value	307,999,980	194,924,895	1,739,976,632	51,694,768	5,180,088	10,776,079	3,150,827	8,283,880	51,596,282	-	2,373,583,431
Addition (at cost)	-	72,515,813	678,373,659	15,407,450	-	-	82,692	266,500	-	83,418,378	850,064,492
Disposal (NBV)	-	-	(1,598,931)	-	-	(223,860)	-	-	(5,750,437)	-	(7,573,228)
Depreciation charged	-	(16,975,292)	(168,664,062)	(39,404,609)	(812,568)	(1,874,901)	(1,032,465)	(1,475,335)	(3,374,030)	(15,166,978)	(248,780,240)
Impairment charged	-	-	(82,562,708)	-	-	-	-	-	-	-	(82,562,708)
Closing net book value	307,999,980	250,465,416	2,165,524,590	27,697,609	4,367,520	8,677,318	2,201,054	7,075,045	42,471,815	68,251,400	2,884,731,747

Gross carrying value basis year ended June 30, 2020

Cost / revalued amount	307,999,980	334,001,535	3,024,976,443	110,449,393	10,880,120	22,590,555	9,364,368	15,006,634	61,508,357	83,418,378	3,980,195,763
Accumulated depreciation	-	(81,202,900)	(762,553,287)	(82,751,784)	(6,512,600)	(13,913,237)	(7,163,314)	(7,931,589)	(18,976,342)	(15,166,978)	(996,172,031)
Accumulated impairment	-	(2,333,219)	(96,898,566)	-	-	-	-	-	(60,200)	-	(99,291,985)
Net book value	307,999,980	250,465,416	2,165,524,590	27,697,609	4,367,520	8,677,318	2,201,054	7,075,045	42,471,815	68,251,400	2,884,731,747

Depreciation rate (% per annum)

-	2.0% to 5.83%	2.90% to 33.33%	40%	6.67% to 33.33%	6.67% to 33.33%	5.88% to 50%	4% to 50%	4% to 50%	20%
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- 6.1** This leasehold land of 17,111 square yards is located at Sector 29, Korangi Industrial Township, Karachi.
- 6.2** The cost of fully depreciated assets which are still in use as at June 30, 2021 is Rs. 99.784 million (2020: 140.474 million) having written down value of Rs. 4.776 million (2020: Rs. 5.971 million).
- 6.3** Plant and machinery includes capital spares amounting to Rs. 198.889 million (2020: 293.668 million) having written down value of Rs. 118.458 million (2020: 211.688 million).
- 6.4** The management has evaluated the physical condition of old machines and due to technical obsolescence and wear tear of the old machines, the Company has recorded impairment on plant and machinery which has been disposed off during the year pursuant to board resolution, on the basis of recoverable amount being less than carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rupees)	2020 (Rupees)
6.5	The depreciation charge for the year has been allocated as follows:		
Cost of sales	34	213,957,422	245,772,314
General and administrative expenses	35	1,238,784	2,119,813
Selling and distribution expenses	36	660,990	888,113
Other operating expenses		10,187,042	-
		<u>226,044,238</u>	<u>248,780,240</u>

6.6 The Company has revalued its leasehold land, building and improvement on leasehold land and plant and machinery on September 01, 2004, June 25, 2009, June 30, 2012, May 27, 2016, July 2, 2018 and June 1, 2021 by an independent valuer M/s. Akbani & Javed Associates on the basis of market value.

The incremental value of the leasehold land, building and improvement on leasehold land and plant and machinery so revalued are being depreciated over the remaining useful lives of these assets at the date of revaluation.

Revaluation surplus amounting to Rs. 805.185 million (2020: Rs. 327.692 million) includes revaluation surplus on land which is remain undepreciated as at June 30, 2021.

The valuer has estimated the force sales value of revalued assets amounting to Rs. 2,369.791 million.

6.7 Had there been no revaluation, the net book value of the specific classes of property, plant and equipment would have been as follows:

	Net book value	
	2021 (Rupees)	2020 (Rupees)
Leasehold land	608,737	608,737
Building / Improvements on leasehold land	210,969,472	246,369,343
Plant and machinery	1,908,858,091	2,140,462,132
	<u>2,120,436,300</u>	<u>2,387,440,212</u>

6.8 Fair value measurement

6.8.1 Fair value of property, plant and equipment are based on the valuations carried out by an independent valuer M/s Akbani & Javed Associates Engineering & Valuation Consultants on the basis of market value.

6.8.2 Fair value of land and building are based on assumptions considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation, while fair value of plant and machinery are considered to be level 3 in the fair value hierarchy due to significant unobservable inputs used in the valuation.

Valuation techniques used to derive level 2 fair values - Land and Building

Fair value of land and building has been derived using a sales comparison approach. Sale prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location and size of the property. Moreover value of building also depends upon the type of construction, age and quality. The most significant input in this valuation approach is price / rate per square foot in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

Valuation techniques used to derive level 3 fair values - Plant and Machinery

In the absence of current prices in an active market, the fair value is determined by taking into account the following factors:

- Make, model, country of origin etc.;
- Operational capacity;
- Present physical condition;
- Resale prospects; and
- Obsolescence.

The valuation is considered to be level 3 in the fair value hierarchy due to the above unobservable inputs used in the valuation. Most significant input in this valuation is the current replacement cost which is adjusted for factors above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

6.8.3 A reconciliation from opening balances to closing balances of fair value measurements categorised in level 3 is provided below:

	2021 (Rupees)	2020 (Rupees)
Opening balance (level 3 recurring fair values)	2,165,524,590	1,739,976,632
Additions - Cost	20,030,058	678,373,659
Disposals (NBV)	(88,304,001)	(1,598,931)
Revaluation surplus	15,246,150	-
Depreciation charge	(159,845,270)	(168,664,062)
Impairment charged	(6,049,065)	(82,562,708)
Closing balance (level 3 recurring fair values)	1,946,602,462	2,165,524,590

6.8.4 There were no transfers between levels 2 and 3 for recurring fair value measurements during the year.

6.9 The following operating fixed assets were disposed off during the year:

Description	Cost / revaluation	Accumulated depreciation/ impairment	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees						
Plant and machinery	40,779,065	39,779,065	1,000,000	2,136,752	Sale - Negotiation	Colortone Packages (Private) Limited
	355,915,534	285,454,534	70,461,000	65,497,009		A-1 Printing Equipment (Thailand) Co., Ltd.
	71,641,966	54,798,965	16,843,001	11,465,701		Vintage Graphics Machines
	468,336,565	380,032,564	88,304,001	79,099,462		
Cylinders and dies	79,787,265	79,787,265	-	208,333	Sale - Negotiation	Danish Scrap Dealer
	9,226,821	8,156,812	1,070,009	1,861,438		Talha Enterprises
	89,014,086	87,944,077	1,070,009	2,069,771		
Vehicles	1,627,500	1,094,201	533,299	533,299	Company Policy	Muhammad Aqil Jah - Ex Employee
	1,678,000	1,174,356	503,644	503,644		Jawad Afzal - Ex Employee
	295,000	195,000	100,000	310,000	Sale - Negotiation	Muhammad Abid
	911,000	911,000	-	94,769	Sale - Scrap	Fazl-e-Rasheed & Co
	4,511,500	3,374,557	1,136,943	1,441,712		
Total - 2021	561,862,151	471,351,198	90,510,953	82,610,945		
Total - 2020	9,129,125	1,555,897	7,573,228	4,765,740		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rupees)	2020 (Rupees)
7. CAPITAL WORK-IN-PROGRESS			
This comprises of:			
Civil works		12,436,267	-
Plant and machinery		10,664,460	-
	7.1	<u>23,100,727</u>	<u>-</u>
7.1 Movement of carrying amount			
Opening balance		-	669,149,271
Additions (at cost)		48,308,183	97,496,843
Transfer to property, plant and equipment		(25,207,456)	(766,646,114)
Closing balance		<u>23,100,727</u>	<u>-</u>
8. INTANGIBLE ASSETS			
Net carrying value basis			
Opening book value		574,097	822,709
Additions (at cost)		456,923	-
Amortisation charged	8.1	(279,074)	(248,612)
Closing net book value		<u>751,946</u>	<u>574,097</u>
Gross carrying value basis			
Cost		6,932,800	6,475,877
Accumulated amortisation		(6,180,854)	(5,901,780)
Net book value		<u>751,946</u>	<u>574,097</u>
Amortisation rate per annum		20%	20%
8.1 The amortisation for the year has been allocated as follows:			
Cost of sales	34	80,152	80,152
General and administrative expenses	35	153,999	123,537
Selling and distribution expenses	36	44,923	44,923
		<u>279,074</u>	<u>248,612</u>
9. LONG-TERM LOANS			
(Secured - considered good)			
Loans			
Due from employees	9.1	96,000	361,350
Current portion shown under current assets	15	-	(109,800)
		<u>96,000</u>	<u>251,550</u>
9.1 Chief Executive Officer and Directors have not taken any loans / advances from the Company.			
10. LONG-TERM DEPOSITS			
Power and fuel		4,995,727	4,995,727
Deposit against ljarah finance		65,928	166,896
Others	10.1	23,950	5,018,950
		<u>5,085,605</u>	<u>10,181,573</u>

10.1 These deposits do not carry any interest or markup and are not recoverable within one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rupees)	2020 (Rupees)
11. DEFERRED TAXATION			
Deferred taxation comprises of:			
Taxable temporary differences:			
Surplus on revaluation of fixed assets	23	14,619,856	8,291,772
Accelerated tax depreciation allowance		305,381,799	327,329,233
Employee retirement benefit		-	1,442,605
Gross deferred tax liabilities		(320,001,655)	(337,063,610)
Deductible temporary differences:			
Unabsorbed tax depreciation		488,729,970	431,867,748
Lease liability under right of use assets		-	24,024,123
Turnover tax		176,684,659	155,465,583
Tax credit		-	17,179,647
Employee retirement benefit		1,809,269	-
Provision for slow moving and obsolete items		4,369,909	1,590,805
Provision for doubtful debts		735,191	1,425,515
Provision for compensated absences		839,126	377,766
Gross deferred tax assets		673,168,124	631,931,187
	11.2	353,166,469	294,867,577
Deferred tax asset not recognized		(176,684,659)	(120,776,528)
		176,481,810	174,091,049

11.1 Total deferred tax asset arising due to timing difference calculated at applicable tax rates as at reporting date amounted to Rs. 353.166 million (2020: Rs. 294.868 million) debit. Out of this balance, deferred tax asset amounting to Rs. 176.685 million (2020: Rs. 120.777 million) has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.

11.2 Deferred tax asset has been recognized to the extent of excess deductible temporary differences over and above taxable temporary differences. The deferred tax asset recognized includes an unadjusted tax credit available on capital expenditure incurred during the year amounting to Rs. NIL (2020: Rs. 17.180 million).

12. STORES AND SPARES

Stores			
In hand		33,697,053	20,024,479
In transit		-	11,684
		33,697,053	20,036,163
Spares			
In hand		57,285,459	62,471,664
In transit		3,863,472	1,528
		61,148,931	62,473,192
		94,845,984	82,509,355
Provision for slow moving and obsolete stores and spares	12.1	(8,899,939)	(4,358,347)
		85,946,045	78,151,008

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rupees)	2020 (Rupees)
12.1 Provision for slow moving and obsolete stores and spares comprises:			
Opening balance		4,358,347	4,070,720
Provision for the year		4,541,592	287,627
Closing balance		8,899,939	4,358,347
13. STOCK-IN-TRADE			
Raw materials			
In hand		388,304,644	324,750,116
In transit		15,190,520	263,875
		403,495,164	325,013,991
Packing materials		10,941,658	9,770,249
		414,436,822	334,784,240
Provision for slow moving and obsolete stock in trade	13.1	(6,168,715)	(1,127,187)
		408,268,107	333,657,053
Work-in-process	34	73,130,776	56,988,232
Finished goods	34	55,935,947	129,798,926
		537,334,830	520,444,211
13.1 Provision for slow moving and obsolete stock in trade comprises:			
Opening balance		1,127,187	1,099,114
Provision for the year		5,041,528	28,073
Closing balance		6,168,715	1,127,187
14. TRADE DEBTS			
(Unsecured - considered good)			
Due from associated companies	14.1	170,280,632	39,732,754
Others		481,319,213	507,781,186
		651,599,845	547,513,940
Considered doubtful		2,535,143	4,915,570
Allowance for expected credit losses	14.4	(2,535,143)	(4,915,570)
		651,599,845	547,513,940
14.1 This comprises amounts receivable from:			
Century Paper and Board Mills Limited		10,532,315	4,521,038
SIZA Foods (Private) Limited		-	1,135,596
Colgate-Palmolive (Pakistan) Limited		156,602,746	33,229,460
Caraway (Private) Limited		3,145,571	846,660
		170,280,632	39,732,754
14.2 The aging of related party balances at the reporting date is as follows:			
Not past due		166,171,686	4,918,039
Past due 1-30 days		4,108,946	33,679,119
Past due 30-90 days		-	-
Past due over 90 days		-	1,135,596
		170,280,632	39,732,754

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

14.3 The maximum amount due from related parties at the end of any month during the year was Rs. 176.332 million (2020: Rs. 43.075 million).

	Note	2021 (Rupees)	2020 (Rupees)
14.4 Allowance for expected credit losses			
Opening balance		4,915,570	4,900,473
Charge during the year - net	38	1,799,824	15,097
Bad debts written off		(4,180,251)	-
Closing balance		2,535,143	4,915,570
15. LOANS AND ADVANCES			
Loans (Secured - considered good)			
Current portion of long-term loans	9	-	109,800
Advances (Unsecured - considered good)			
To employees	15.1	192,373	324,207
To suppliers	15.2	40,063,385	12,628,496
		40,255,758	12,952,703
		40,255,758	13,062,503

15.1 These advances are granted to employees of the Company for the purpose of its business which do not carry mark-up.

15.2 This represents advances to suppliers in the normal course of business and does not carry any interest or mark-up.

15.3 Chief Executive Officer and Directors have not taken any loans and advances from the Company.

16. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	16.1	1,515,000	267,000
Prepayments	16.2	1,110,000	1,160,000
		2,625,000	1,427,000

16.1 This represents short term deposits in the normal course of business and does not carry any interest or mark-up.

16.2 This includes prepaid insurance premium of Rs. 1.050 million (2020: Rs. 1.16 million) to M/s Century Insurance Company Limited, an associated company.

17. OTHER RECEIVABLES

(Unsecured-considered good)			
Due from associated company	17.1	54,859	48,582
Receivable from gratuity fund	42.1.1	-	1,346,673
Others	17.2	13,085,881	-
		13,140,740	1,395,255

17.1 This represents medical insurance claim receivable from Century Insurance Company Limited, an associated company.

17.2 This includes receivable of Rs. 12.415 million against sale of plant and machinery made during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rupees)	2020 (Rupees)
18. TAX REFUND DUE FROM GOVERNMENT			
Sales tax and special excise duty receivable		289,909,637	281,761,229
Income tax refundable		140,731,837	163,597,180
		<u>430,641,474</u>	<u>445,358,409</u>
19. TAXATION - NET			
Advance tax		17,898,605	26,970,098
Provision for taxation	40	(26,376,963)	-
		<u>(8,478,358)</u>	<u>26,970,098</u>
19.1	The income tax assessments of the Company have been finalised by the tax authorities upto Tax Year 2020 (accounting year ended June 30, 2020).		
20. CASH AND BANK BALANCES			
Cash in hand		988,121	1,885,378
Cash in bank accounts		2,551,138	7,449,747
		<u>3,539,259</u>	<u>9,335,125</u>
21. AUTHORIZED SHARE CAPITAL			
Number of ordinary shares of Rs.10/- each 2021 2020 Number of shares			
<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10/- each	<u>2,000,000,000</u> <u>2,000,000,000</u>
22. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Number of ordinary shares of Rs. 10/- each 2021 2020			
<u>77,775,551</u>	<u>77,775,551</u>	Fully paid in cash	<u>777,755,510</u> <u>777,755,510</u>
<u>2,852,847</u>	<u>2,852,847</u>	Issued as bonus shares	<u>28,528,470</u> <u>28,528,470</u>
<u>80,628,398</u>	<u>80,628,398</u>	fully paid	<u>806,283,980</u> <u>806,283,980</u>
<u>46,312,710</u>	<u>46,312,710</u>	Shares held by associated undertakings	<u>463,127,100</u> <u>463,127,100</u>
22.1	The Company has one class of ordinary shares which carry no rights to fixed income. The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meeting of the Company. All shares rank equally with regard to the Company's residual assets.		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rupees)	2020 (Rupees)
23. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Gross surplus			
Balance as at July 01,		335,983,604	338,404,957
Net surplus recognised during the year	23.1	486,057,020	-
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)		(1,587,648)	(1,297,554)
Related deferred tax impact		(648,476)	(529,981)
		483,820,896	(1,827,535)
Transfer in respect of impairment on property, plant and equipment during the year - (net of deferred tax)		-	(421,611)
Related deferred tax impact		-	(172,207)
		-	(593,818)
Surplus on revaluation of fixed assets as at June 30,		819,804,500	335,983,604
Related deferred tax effect:			
Balance as at July 01,		(8,291,772)	(8,993,960)
Effect of surplus recognized during the year		(6,976,560)	-
Impairment charge/(reversal) during the year		-	172,207
Incremental depreciation charge during the year		648,476	529,981
	11	(14,619,855)	(8,291,772)
		805,184,644	327,691,832
23.1 Surplus recognized during the year on:			
Leasehold land		461,999,970	-
Building / Improvements on leasehold land		8,810,900	-
Plant and machinery		15,246,150	-
		486,057,020	-

23.2 The revaluation surplus on property, plant and equipment is a capital reserve, and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

24. SUBORDINATED LOAN - UNSECURED

From associated undertakings	24.1	225,381,199	93,083,866
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24.1 These subordinated loans have been obtained from associated undertakings amounting to an aggregate of Rs. 250 million (June 30, 2020: Rs. 100 million) for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business activities. The interest on these loans has been waived for a period of three years from the date of the agreements, resulting in reduction in face value of this loan, due to presence of a below market element. These loans have been measured at amortized cost, determined by discounting future cash flows with the prevailing market rate ranging from 7.43% to 7.79% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.

24.2 This loan shall remain sub-ordinated to the financing facilities extended by the banks to the Company. The loan shall not be repaid until the entire amount of financing facilities and any payments due in respect of financing facilities or any other finance extended / provided by the banks to the Company, have been paid in full by the Company to the banks and the banks have notified to the sponsors of such payments; and / or the banks otherwise give any permission in writing to the Company to make full or part of the payments due under the long term financing to the associated undertakings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

25. LONG TERM FINANCING	Note	2021 (Rupees)	2020 (Rupees)
Secured			
From banking companies			
Al-Baraka Bank (Pakistan) Limited		65,160,271	71,410,271
Dubai Islamic Bank Pakistan Limited		464,673,495	500,388,266
Habib Bank Limited	25.1	80,397,219	110,239,630
BankIslami Pakistan Limited		75,000,000	100,000,000
JS Bank Limited		51,929,167	56,650,000
United Bank Limited - Ameen		74,177,673	79,015,347
Less: Current portion shown under current liabilities	31	(306,040,157)	(95,224,129)
	25.2	505,297,668	822,479,385
Unsecured			
Opening balance		1,459,955,712	547,952,688
Financing obtained during the year		200,000,000	1,100,000,000
		1,659,955,712	1,647,952,688
Add : Notional mark up		146,676,507	68,896,594
Less : Present value adjustment		(41,653,276)	(256,893,570)
Less : Current portion		(88,000,000)	
	25.3	1,676,978,943	1,459,955,712
		2,182,276,611	2,282,435,097

- 25.1** The Company has approved term finance facility from Habib Bank Limited under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 71.869 million specifically for paying salaries and wages to Company's employees. The Company has made drawdown of Rs. 48.705 million in June 2021. The tenor of the financing is two and quarter year inclusive 6-Months grace period and are repayable in 8 equal quarterly installments commencing from January 2021.

This loan is secured against first pari passu charge on specific property, plant and equipments of the Company.

- 25.2** These loans have been obtained from financial institutions (loan excluding as defined in note 25.1) for the purpose of financing capital expenditure and secured against first pari passu charge on specific property, plant and equipments of the Company. The effective rate of mark-up was 7.99% to 10.22% (2020: 13.55% to 15.06%) payable quarterly. The tenure of these financing facilities is five to six years including one year grace period.
- 25.3** These loans have been obtained from associated undertakings amounting to an aggregate of Rs. 1,990 million (2020: Rs. 1,790 million) for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business activities. The interest on these loans has been waived for a period of three years from the date of the agreements, resulting in reduction in face value of this loan, due to presence of a below market element. These loans have been measured at amortized cost, determined by discounting future cash flows with the prevailing market rate ranging from 7.43% to 14.36% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.

26. LONG TERM LEASE LIABILITY

Lease liability under right of use assets	26.1	-	82,841,798
Less: Current portion		-	(11,369,280)
		-	71,472,518
Maturity analysis-contractual cash flow			
Less than one year		-	11,369,280
One to five year		-	71,472,518
More than five year		-	-
Total lease liability		-	82,841,798

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

- 26.1** The Company has shut down its lahore factory and consolidated its operations with karachi factory in pursuance to the decision of the Board in its meeting held on April 28, 2021. As a result of factory shut down, carrying amount of Right of Use Asset and its corresponding lease liability recorded in accordance with the IFRS 16 on rented premises of lahore factory has been written off during the year. All the revenue expenses incurred during the shifting of lahore operations including redundancy cost, in-transit insurance, transportation of plant and machinery to karachi factory and depreciation are charged to profit or loss account as disclosed in note 38.

	Note	2021 (Rupees)	2020 (Rupees)
27. DEFERRED CAPITAL GRANT			
Capital grant	27.1	2,786,871	2,066,308
Current portion shown under current liability		(2,260,723)	(1,428,167)
		<u>526,148</u>	<u>638,141</u>

- 27.1** During the year, the Company received term finance facility from Habib Bank Limited under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 48.705 million specifically for paying salaries and wages to Company's employees. The tenor of the financing is two and quarter year inclusive of 6-Months grace period and are repayable in 8 equal quarterly installments commencing from January 2021. ICAP issued the guidance for accounting of said financing through circular No. 11/2021, and based on this, the Company recognized the Deferred Capital Grant in accordance with the requirements of 'IAS 20-Accounting for Government Grants and Disclosure of Government Assistance'.

28. TRADE AND OTHER PAYABLES

Creditors	28.1	723,345,269	551,704,089
Accrued liabilities		66,235,086	32,102,950
Payable to gratuity fund	42.1.1	9,372,879	-
Advances from customers		1,438,902	7,896,569
Workers' Welfare Fund		250,956	250,956
Others		190,453	1,112,260
		<u>800,833,545</u>	<u>593,066,824</u>

- 28.1** This includes an amount of Rs. 0.834 million (2020: Rs. 0.662) payable in foreign currency equivalent to Pak Rupees and amount payable to associated companies amounting to Rs. 492.567 million (2020: Rs. 420.732 million).

29. MARK-UP ACCRUED

Mark-up accrued on :			
Short-term borrowings		10,402,960	27,712,562
Long term financing		16,489,843	26,752,529
		<u>26,892,803</u>	<u>54,465,091</u>

30. SHORT-TERM BORROWINGS

From banking companies - secured			
Running finance	30.1	785,496,744	788,534,478
From associated company - unsecured	30.2	-	150,000,000
		<u>785,496,744</u>	<u>938,534,478</u>

- 30.1** The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 962 million (2020: Rs. 1,170 million) having mark-up at rates ranging from 8.44% to 10.55% (2020: 13.61% to 15.70%) per annum calculated on a daily utilization basis and payable quarterly. The unutilized balance at the end of the year was Rs. 176.503 million (2020: Rs. 381.468 million).

The Company also has a facility for opening letters of credit under mark-up arrangements as at June 30, 2021 amounting to Rs. 445 million (June 30, 2020: Rs. 445 million) from various commercial banks. The unutilized balance at the end of the period/year was Rs. 445 million (June 30, 2020: Rs. 445 million).

These arrangements are secured by pari passu hypothecation charge on stores and spares, stock-in-trade and trade debts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

30.2 This short-term borrowing facility (interest free loan) was obtained from an associated company. During the period, repayment terms of this loan has been restructured and the waiver in the payment of markup has been further extended for a period of three years from the date of the agreement. In addition to waiver of interest, this loan has been reclassified into subordinated loan from sponsors as disclosed in note 24 with reduction in fair value of the loan amount due to presence of a below market element.

	Note	2021 (Rupees)	2020 (Rupees)
31. CURRENT PORTION OF LONG TERM-FINANCING			
Current portion	25	<u>394,040,157</u>	<u>95,224,129</u>

32. CONTINGENCIES AND COMMITMENTS

32.1 Contingencies

There was no contingent liability as at June 30, 2021 (2020: None)

32.2 Commitments

32.2.1 There was no commitment against the purchase of stores, spares and raw materials under contractual obligation as at June 30, 2021 (June 30, 2020: Rs. 21.527 million).

32.2.2 The amount of future ljarah rentals for ljarah financing and the period in which these payments will become due are as follows:

Not later than one year		887,760	1,169,736
Later than one year and not later than five years		80,952	968,712
		<u>968,712</u>	<u>2,138,448</u>
33. SALES - NET			
Gross sales			
Local sales		3,410,244,401	2,518,737,833
Export Sales	33.1	9,373,750	7,936,671
		<u>3,419,618,151</u>	<u>2,526,674,504</u>
Less;			
Sales tax		(489,165,719)	(360,500,810)
Sales return		(27,893,346)	(7,787,429)
		<u>(517,059,065)</u>	<u>(368,288,239)</u>
		<u>2,902,559,086</u>	<u>2,158,386,265</u>

33.1 Following are the details of export sales:

Jurisdiction	Amount	Type
Mauritius	2,015,014	Contract through purchase / sale orders
Afghanistan	7,358,736	Contract through purchase / sale orders
	<u>9,373,750</u>	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rupees)	2020 (Rupees)
34. COST OF SALES			
Materials consumed		2,232,236,636	1,738,203,448
Salaries, wages and other benefits	34.1	146,249,505	155,579,498
Packing material consumed		62,532,934	53,843,083
Outsourced services		23,992,243	15,734,720
Stores and spares consumed		56,547,274	49,244,864
Power and fuel		102,685,810	80,003,720
Depreciation	6.5	213,957,422	245,772,314
Amortisation	8.1	80,152	80,152
Rent, rates and taxes		5,331,204	8,649,671
Repairs and maintenance		13,750,513	14,714,959
Vehicle running expenses		2,035,710	1,847,280
Insurance		18,858,470	18,051,683
Ijarah lease rentals		277,672	289,077
Printing and stationery		840,267	482,004
Communication charges		1,600,817	1,765,398
Travelling and conveyance		1,591,685	1,489,376
Fees and subscription		2,076,426	956,505
Software license fee		945,447	454,286
Other expenses		1,647,579	383,709
Manufacturing cost		2,887,237,766	2,387,545,747
Opening work-in-process		56,988,232	83,030,582
Closing work-in-process	13	(73,130,776)	(56,988,232)
		(16,142,544)	26,042,350
Cost of goods manufactured		2,871,095,222	2,413,588,097
Opening stock of finished goods		129,798,926	72,983,743
Closing stock of finished goods	13	(55,935,947)	(129,798,926)
		73,862,979	(56,815,183)
		2,944,958,201	2,356,772,914

34.1 Salaries and other benefits include Rs. 6.537 million (2020: Rs. 8.262 million) in respect of staff retirement benefits.

35. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries and other benefits	35.1	63,252,854	68,450,848
Depreciation	6.5	1,238,784	2,119,813
Amortisation	8.1	153,999	123,537
Rent, rates and taxes		710,493	818,734
Repairs and maintenance		2,633,292	2,434,617
Ijarah lease rentals		636,425	701,061
Vehicle running expenses		3,843,374	3,554,273
Insurance		860,089	821,365
Printing and stationery		1,069,948	695,507
Communication charges		2,731,878	2,101,380
Travelling and conveyance		525,911	1,278,772
Fees and subscription		1,168,787	1,331,818
Software license fee		1,237,587	594,660
Service fee to associated company		2,945,474	1,751,163
Electricity charges		612,630	603,129
Others		2,733,248	1,580,324
		86,354,773	88,961,001

35.1 Salaries and other benefits include Rs. 2.983 million (2020: Rs. 3.955 million) in respect of staff retirement benefits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rupees)	2020 (Rupees)
36. SELLING AND DISTRIBUTION EXPENSES			
Salaries and other benefits	36.1	10,567,259	12,613,100
Depreciation	6.5	660,990	888,113
Amortisation	8.1	44,923	44,923
Repairs and maintenance		127,577	739,533
Vehicle running expenses		1,278,690	1,666,667
Insurance		218,382	213,922
Printing and stationery		14,907	112,118
Communication charges		614,534	834,554
Travelling and conveyance		560,752	610,036
Software license fee		363,966	174,886
Advertisement		7,000	31,730
Cartage outward		34,701,259	25,041,708
Others		234,168	151,857
		<u>49,394,407</u>	<u>43,123,147</u>

36.1 Salaries and other benefits include Rs. 0.554 million (2020: Rs. 0.856 million) in respect of staff retirement benefits.

37. OTHER INCOME

Insurance agency commission from associated company		-	2,659,704
Scrap sales		2,419,370	859,736
Impairment Reversal on revaluation of fixed assets		2,861,911	-
Insurance claim		5,294,725	-
Exchange gain		2,676,383	-
Capital grant income		3,895,206	-
		<u>17,147,595</u>	<u>3,519,440</u>

38. OTHER OPERATING EXPENSES

Legal and professional charges		3,350,224	2,309,786
Auditors' remuneration:			
Statutory audit		405,950	405,950
Special reports and sundry services		162,550	202,595
Out-of-pocket expenses		140,795	137,000
		709,295	745,545
Director fees		825,000	800,000
Loss on disposal of property, plant and equipment		7,900,008	2,807,488
Foreign exchange loss	38.1	-	515,626
Provision For Slow Moving & Obsolete Items	12.1 & 13.1	9,583,120	315,700
Allowance for expected credit losses	14.4	1,799,824	15,097
Impairment loss	6.4	7,089,001	81,968,890
Brokerage and commission		539,900	-
Dismantling and relocation expenses	26.1	24,956,399	-
		<u>56,752,771</u>	<u>89,478,132</u>

38.1 Exchange loss is incurred from actual currency translation.

39. FINANCIAL CHARGES

Mark-up / interest on:			
Sub-ordinated loan		12,525,184	5,004,745
Long-term financing		227,840,319	204,668,505
Short-term borrowings		72,479,043	128,647,752
Finance charges on leases		10,914,666	12,278,394
		<u>323,759,212</u>	<u>350,599,396</u>
Bank charges and commission		3,203,365	2,412,065
		<u>326,962,577</u>	<u>353,011,461</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

40. TAXATION	Note	2021 (Rupees)	2020 (Rupees)
Current	19	26,376,963	-
Deferred		(6,115,447)	(76,761,474)
		<u>20,261,516</u>	<u>(76,761,474)</u>

40.1 The current year's total tax liability of the Company amounting to Rs. 43.557 million is covered under Section 113 "Minimum tax" of the Income Tax Ordinance, 2001. This has been partially adjusted against tax credit available under section 65B at the rate of 5% on the cost of plant and machinery capitalized amounting to Rs. 17.180 million as at June 30, 2021.

40.2 Comparison of tax provision against tax assessments

<u>Tax / Financial Years</u>		<u>Tax provision Rupees</u>	<u>Tax assessment / Tax return Rupees</u>
2019-20	40.2.1	-	(43,487,682)
2018-19	40.2.2	-	(53,308,953)
2017-18	40.2.3	-	(35,888,322)

40.2.1 Tax liability for Tax Year 2020 amounting to Rs. 32.708 million, was fully adjusted against the available tax credits under section 65B. Tax refundable as per assessment, represents refundable as declared in the tax return of the Company arising due to advance taxes deducted / paid during the tax year.

40.2.2 Tax liability for Tax Year 2019 amounting to Rs. 36.097 million, was fully adjusted against the available tax credits under section 65B. Tax refundable as per assessment, represents refundable as declared in the tax return of the Company arising due to advance taxes deducted / paid during the tax year.

40.2.3 Tax liability for Tax Year 2018 amounting to Rs. 30.900 million, was fully adjusted against the available tax credits under section 65B. Tax refundable as per assessment, represents refundable as declared in the tax return of the Company arising due to advance taxes deducted / paid during the tax year.

40.3 The numerical reconciliation between average tax rate and the applicable tax rate has not been presented during the year in these financial statements as the total tax liability of the Company is covered under Section 113 "Minimum tax" of the Income Tax Ordinance, 2001.

41. LOSS PER SHARE - BASIC AND DILUTED

Loss for the year (Rupees)	(564,977,564)	(692,679,476)
Weighted average number of ordinary shares outstanding	80,628,398	80,628,398
Loss per share - basic and diluted (Rupees)	<u>(7.01)</u>	<u>(8.59)</u>

There is no dilutive effect on the basic earnings per share of the Company.

42. RETIREMENT BENEFIT

42.1 Defined benefit plan

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2021, using the Projected Unit Credit Actuarial Cost Method.

The Company faces the following risks on account of gratuity:

Salary Increase Risk - The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Longevity Risks - The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Withdrawal Risk - The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Investment Risks - The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

	Note	2021 (Rupees)	2020 (Rupees)
42.1.1 Liability recognised in statement of financial position			
Fair value of plan assets	42.1.3	42,723,847	57,947,830
Present value of defined benefit obligation	42.1.4	(52,096,726)	(56,601,157)
Closing net asset / (liability)	17 & 28	(9,372,879)	1,346,673
42.1.2 Movement of the liability recognized in the statement of financial position			
Opening net liability		1,346,673	(6,984,076)
Charge for the year	42.1.5	(4,738,255)	(7,127,828)
Remeasurement losses recognized in other comprehensive income	42.1.6	(11,213,361)	9,494,687
Contribution made during the year		5,232,064	5,963,890
Closing net asset / (liability)		(9,372,879)	1,346,673
42.1.3 Movement in the fair value of plan assets			
Fair value as at July 01		57,947,830	48,731,981
Expected return on plan assets	42.1.5	5,039,639	7,190,235
Remeasurement - Actuarial losses	42.1.6	(22,947,709)	(1,425,999)
Contribution by the employer		5,232,064	5,963,890
Benefits paid	42.1.4	(2,547,977)	(2,512,277)
Fair value as at June 30	42.1.1	42,723,847	57,947,830
42.1.4 Movement in the present value of defined benefit obligation			
Obligation as at July 01		(56,601,157)	(55,716,057)
Current service cost	42.1.5	(5,075,085)	(6,557,525)
Interest cost	42.1.5	(4,702,809)	(7,760,538)
Remeasurement - Actuarial gains	42.1.6	11,734,348	10,920,686
Benefits paid	42.1.3	2,547,977	2,512,277
Obligation as at June 30	42.1.1	(52,096,726)	(56,601,157)
42.1.5 Expenses recognised in statement of profit or loss			
Current service cost	42.1.4	5,075,085	6,557,525
Interest cost	42.1.4	4,702,809	7,760,538
Expected return on plan assets	42.1.3	(5,039,639)	(7,190,235)
Expense for the year	42.1.2	4,738,255	7,127,828
Actual return on plan assets		(17,908,070)	5,764,236
42.1.6 Remeasurement gain / (losses) recognized in other comprehensive income			
Remeasurement gain on defined benefit obligation	42.1.4	11,734,348	10,920,686
Remeasurement losses on plan assets	42.1.3	(22,947,709)	(1,425,999)
Remeasurement gains / (losses)	43.1.2	(11,213,361)	9,494,687

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

42.1.7 Composition of the fair value of plan assets

	2021		2020	
	Rupees	Percentage	Rupees	Percentage
Debt	2,347,446	5%	28,281,185	49%
Equity and Mutual fund	19,422,856	46%	13,288,096	23%
Cash with banks	20,953,545	49%	16,378,549	28%
	42,723,847		57,947,830	

42.1.8 The expected contribution to funded gratuity scheme for the year ending June 30, 2022 is Rs. 4.600 million. This is the amount by which the net defined benefit liability is expected to increase. The amount of remeasurement to be recognised in other comprehensive income will be worked out as at the next valuation.

	Percentage	Percentage
42.1.9 Principal actuarial assumptions		
Following were the significant actuarial assumptions used in the valuation:		
Valuation discount rate per annum	10.00%	8.50%
Valuation discount rate - Statement of profit and loss	8.50%	14.25%
Expected rate of return on plan assets per annum	10.00%	8.50%
Expected rate of increase in salary per annum (short term)	10.25%	8.75%
Expected rate of increase in salary per annum (long term)	10.00%	8.50%

	Rupees	Percentage
42.1.10 Sensitivity analysis		
Current liability	52,096,726	
+1% discount rate	48,368,254	-7.16%
-1% discount rate	56,429,179	8.32%
+1% salary increase rate	56,641,637	8.72%
-1% salary increase rate	48,117,277	-7.64%
+10% withdrawal rate	52,174,793	0.15%
-10% withdrawal rate	52,019,504	-0.15%
1 year mortality age set back	52,071,890	-0.05%
1 year mortality age set forward	52,121,645	0.05%

	Undiscounted Payments
42.1.11 Maturity Profile	
Year 1	4,081,331
Year 2	6,724,362
Year 3	6,570,975
Year 4	3,896,925
Year 5	9,249,540
Year 6 to year 10	26,279,608
Year 11 and above	108,468,104

42.2 Defined contribution plan

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of "Merit Packaging Limited - Employees Contributory Provident Fund Trust". The fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees.

42.2.1 The Trustees have intimated that the size of the Fund as at December 31, 2020 was Rs. 123.889 million (2019: Rs. 120.53 million).

42.2.2 As intimated by the Trustees, the cost of the investment made at December 31, 2020 was Rs. 92.884 million (2019: Rs. 96.201 million) which is equal to 74.97% (2019: 79.81%) of the total fund size. The fair value of the investment was Rs. 91.279 million at that date. The category wise break up of investment as per Section 218 of the Companies Act, 2017 is given below:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Rupees	Percentage
Debt	51,452,940	41.53%
Mutual fund	39,826,353	32.15%
Cash with banks	15,415,365	12.44%

42.2.3 According to the Trustees, investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules made thereunder.

	Note	2021 (Rupees)	2020 (Rupees)
43. CASH GENERATED FROM OPERATIONS			
Loss before taxation		(544,716,048)	(769,440,950)
Adjustment for non-cash items and other items:			
Loss on disposal of property, plant and equipment		7,900,008	2,807,488
Financial charges		326,962,577	353,011,461
Depreciation		226,044,238	248,780,240
Amortisation		279,074	248,612
Capital Grant Income		(3,895,206)	-
Lease Liability & Right of use asset written-off		(1,390,929)	-
Allowance for expected credit losses		1,799,824	15,097
Provision for slow moving stock and obsolete items		9,583,120	315,700
Impairment loss/reversal		4,227,090	81,968,890
Provision for compensated absences		2,887,671	-
Ijarah lease rentals		914,097	990,138
		575,311,564	688,137,626
Profit before working capital changes		30,595,516	(81,303,324)
Working capital changes	43.1	10,951,325	(365,249,349)
		41,546,841	(446,552,673)

43.1 Working capital changes

(Increase) / decrease in current assets:		
Stores and spares	(12,336,629)	(11,322,172)
Stock-in-trade	(21,932,147)	26,914,909
Trade debts	(105,885,730)	(140,774,916)
Loans and advances	(27,193,255)	(5,999,359)
Trade deposits and short-term prepayments	(1,198,000)	95,724
Other receivables	(11,745,485)	(523,362)
Tax refund due from Government	(2,423,119)	(10,024,538)
	(182,714,365)	(141,633,714)
(Decrease) / increase in current liabilities:		
Trade and other payables (excluding unclaimed dividend)	193,665,690	(223,615,635)
	10,951,325	(365,249,349)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

44. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Description	Liabilities		Total
	Long Term Financing	Short Term Financing	
	Rupees		
Balance as at July 1, 2020	2,470,743,092	150,000,000	2,620,743,092
Proceeds from long term financing	398,704,566	-	398,704,566
Repayment of long term financing	(154,349,692)	-	(154,349,692)
Proceeds from short term financing	-	-	-
Repayment of short term financing	-	(150,000,000)	(150,000,000)
Balance as at June 30, 2021	2,715,097,966	-	2,715,097,966

45. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of related group companies, local associated companies, staff retirement funds, directors and key management personnel.

Transactions with related parties and remuneration and benefits to key management personnel under the terms of their employment are as follows:

Nature of transaction	Nature of Relation	Basis of Relation	2021 (Rupees)	2020 (Rupees)
Sales of goods, Services and Reimbursement of expenses:				
Colgate Palmolive Pakistan Limited	Associated company	Common Director	823,198,838	188,799,366
Century Paper & Board Mills Limited	Associated company	Common Director	66,236,541	47,752,116
GAM Corporation (Private) Limited	Associated company	Common Director	3,965,504	4,538,218
SIZA Foods (Private) Limited	Associated company	Common Director	3,159,550	3,941,641
Caraway (Private) Limited	Associated company	Common Director	5,587,122	1,446,443
Purchase of goods, services and Reimbursement of expenses:				
Century Paper & Board Mills Limited	Associated company	Common Director	1,690,976,489	1,516,420,992
Century Insurance Company Limited	Associated company	Common Director	26,781,009	26,427,465
Princeton Travels (Private) Limited	Associated company	Common Director	1,475,955	2,027,990
Lakson Business Solutions Limited	Associated company	Common Director	2,266,419	2,452,546
SIZA Services (Private) Limited	Associated company	Common Director and 15.31% shares held	2,767,677	878,115
SIZA (Private) Limited	Associated company	Common Director and 9.70% shares held	-	202,336
Sybrid (Private) Limited	Associated company	Common Director	1,000,147	150,089
Cyber Internet Services (Private) Limited	Associated company	Common Director	711,046	719,344
Express Publication (Private) Limited	Associated company	Common Management	-	83,430
Central Depository Company Of Pakistan Limited	Associated company	Common Director	652,575	576,300

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Nature of transaction	Nature of Relation	Basis of Relation	2021 (Rupees)	2020 (Rupees)
Rent & Other Allied Charges				
Hassanali & Gulbano Lakhani Foundation	Associated company	Trustee	272,478	265,381
Insurance Agency Commission				
Century Insurance Company Limited	Associated company	Common Director	-	2,659,704
Insurance Claim				
Century Insurance Company Limited	Associated company	Common Director	30,570,863	951,254
Loan obtained				
SIZA (Private) Limited	Associated company	Common Director and 9.70% shares held	200,000,000	830,000,000
SIZA Commodities (Private) Limited	Associated company	Common Director and 11.24% shares held	-	450,000,000
Premier Fashions (Private) Limited	Associated company	Common Director and 21.20% shares held	-	120,000,000
Loan Repayment				
SIZA (Private) Limited	Associated company	Common Director and 9.70% shares held	-	80,000,000
Premier Fashions (Private) Limited	Associated company	Common Director and 21.20% shares held	-	120,000,000
Mrs. Ronak Iqbal Lakhani	Director's spouse		-	100,000,000
Others				
Remuneration and other benefits	Key Management Personnel	Employees	18,762,554	23,161,836
Contribution to Staff Retirement Benefit Plans	Employees Fund		10,074,516	13,073,382
45.1 Year end balances				
Receivable from associated companies			170,335,491	39,781,336
Payable to associated companies			503,294,625	424,088,480
Long-term financing from associated company			1,764,978,943	1,459,955,712
Sub-ordinated loan			225,381,199	93,083,868
Short-term financing from associated company			-	150,000,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

45.2 There are no transactions with key management personnel other than under their terms of employment.

46. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for remunerations, including all benefits to Chief Executive and Executives of the Company were as follows:

	2021			2020		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	Rupees			Rupees		
Managerial remuneration	4,982,108	1,217,270	6,199,378	4,284,600	2,921,448	7,206,048
House rent	2,238,458	544,280	2,782,738	1,923,876	1,306,272	3,230,148
Bonus	237,199	-	237,199	356,275	241,904	598,179
Retirement benefits	192,648	150,675	343,323	385,296	380,713	766,009
Motor vehicle expenses	123,458	194,874	318,332	259,872	464,072	723,944
Medical allowances	497,434	120,950	618,384	427,524	290,280	717,804
Total	8,271,305	2,228,049	10,499,354	7,637,443	5,604,689	13,242,132
Number of persons	1	2	3	1	2	3

46.1 The current and corresponding year figures include remunerations of Company's Executives whose basic salary exceeds twelve hundred thousand rupees in a financial year.

46.2 The Chief Executive and Executives are also provided with use of Company maintained cars.

46.3 Aggregate amount charged in these financial statements in respect of directors fee is Rs. 0.675 million (2020: Rs. 0.625 million) paid to three non-executive Directors.

47. CAPACITY AND PRODUCTION

Printing is a service industry involving the processing of printing material on a mix of different size machines having 1 to 9 colour units. The paper and board used is dependent on the customers' requirements ranging from 68 gsm to 375 gsm of a large variety of products involving several processes during and post printing. Due to many variables and complexities involved, the capacity is not determinable.

	2021 (Rupees)	2020 (Rupees)
48. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets as per statement of financial position		
Amortized cost		
Long-term loans including current portion	96,000	361,350
Long-term deposits	5,085,605	10,181,573
Trade debts	651,599,845	547,513,940
Short-term deposits	1,515,000	267,000
Other receivables	13,140,740	48,582
Cash and bank balances	3,539,259	9,335,125
	<u>674,976,449</u>	<u>567,707,570</u>
Financial liabilities as per statement of financial position		
Amortized cost		
Subordinated loan	225,381,199	93,083,866
Long-term financing including current portion	2,576,316,768	2,377,659,226
Long-term deposits	99,583	346,987
Long term lease liability including current portion	-	82,841,798
Trade and other payables	800,833,545	593,066,824
Mark-up accrued	26,892,803	54,465,091
Short-term borrowings	785,496,744	938,534,478
	<u>4,415,020,642</u>	<u>4,139,998,270</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

49.1 Risk management policies

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

49.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2021 (Rupees)	2020 (Rupees)
Loans and deposits	6,696,605	10,809,923
Trade debts	651,599,845	547,513,940
Other receivables	13,140,740	48,582
Bank balances	2,551,138	7,449,747
	<u>673,988,328</u>	<u>565,822,192</u>
The aging of trade receivable at the reporting date is:		
Not past due	589,891,028	439,552,095
Past due 1-30 days	39,000,304	36,034,199
Past due 30-90 days	12,574,731	38,876,522
Past due 90 days	10,133,782	33,051,124
	<u>651,599,845</u>	<u>547,513,940</u>

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Sales made to certain customers are secured through letters of credit.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis. The rating of banks ranges from A to AAA.

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

Impaired assets

Impairment on account of trade debts amounts to Rs 1.800 million (2020: Rs. 0.015 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

49.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

	2021						
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
	(Rupees in thousands)						
Subordinated loan	225,381	399,397	1,982	3,964	7,950	30,787	354,714
Long term financing	2,576,317	3,619,702	228,828	235,140	394,494	975,422	1,785,818
Long term deposits	100	100	-	-	100	-	-
Trade and other payables	800,834	800,834	800,834	-	-	-	-
Mark-up accrued	26,893	26,893	26,893	-	-	-	-
Short term borrowings	785,497	785,497	785,497	-	-	-	-
	4,415,022	5,632,423	1,844,034	239,104	402,544	1,006,209	2,140,532
	2020						
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
	(Rupees in thousands)						
Subordinated loan	93,084	109,499	-	-	3,032	4,369	102,098
Long term financing	2,377,659	3,367,920	46,576	140,926	581,163	1,154,846	1,444,410
Long term deposits	347	347	-	-	-	347	-
Trade and other payables	593,067	593,067	593,067	-	-	-	-
Mark-up accrued	54,465	54,465	54,465	-	-	-	-
Short term borrowings	938,534	938,534	938,534	-	-	-	-
	4,057,156	5,063,832	1,632,642	140,926	584,195	1,159,562	1,546,508

49.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

49.4.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company's exposure to foreign currency risk is as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	2021 (Rupees in thousands)	2020 (Rupees in thousands)
Foreign bills payable	834	662
Contractual obligations	-	21,527
Net exposure	834	22,189

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2021	2020	2021	2020
	(Rupees)			
	160.31	159.28	158.3	168.1

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, post-tax loss / profit for the year would have been lower / higher by the amount shown below, mainly as a result of net foreign exchange gain on net foreign currency exposure at reporting date.

	Average rate		Reporting date rate	
	2021	2020	2021	2020
	(Rupees in thousands)			
Effect on (loss) or profit	83	2,219	83	2,219

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax loss / profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

49.4.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. At the statement of financial position date the interest rate profile of the Company's interest-bearing financial instruments is as follows:

	2021 Effective rate (In percent)	2020 Effective rate (In percent)	2021 Carrying amount (Rupees in thousands)	2020 Carrying amount (Rupees in thousands)
Financial liabilities				
Variable rate instruments				
Long term loans	8.72%	13.91%	2,576,317	2,379,726
Sub-ordinated loan	7.79%	7.43%	225,381	93,084
Short term borrowings	8.94%	14.28%	785,497	938,534

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2021.

	Profit and loss	
	100 bp increase	100 bp decrease
As at June 30, 2021		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(35,872)	35,872
As at June 30, 2020		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(34,113)	34,113

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

50. CAPITAL MANAGEMENT

The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders through the optimization of the debt and equity balance.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The Company management believes on maintaining appropriate mix of debt and equity capital and monitors capital on the basis of the net debt to equity ratio. The net debt is defined as long and short term borrowings offset by cash and bank balances. The equity includes ordinary share capital and reserves.

The Company is not subject to any externally imposed capital requirements.

51. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset either directly that is, derived from prices.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is unadjusted) inputs.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred. There were no transfer during the reporting period (2020: None).

As of the reporting date, none of the financial instruments of the Company are carried at fair value.

The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

52. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Company for the year ended June 30, 2021 due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Company, introduced a host of measures on both the financial and operational fronts.

The management of the Company is closely monitoring the situation, and in response to the developments, taking all possible precaution and measures to safeguard health and safety of employees and other stakeholders. The management has evaluated and concluded that there is no material implication of COVID-19 on assets, liabilities, income and expenses of the Company, except as disclosed in note 25.1 and 27.1, that require special disclosure in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

53. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 14, 2021 by the Board of Directors of the Company.

54. NUMBER OF EMPLOYEES

	2021	2020
	No. of employees	
a) Number of employees as at June 30	206	264
Average number of employees during the year	242	263
b) Number of factory employees as at June 30	180	222
Average number of factory employees during the year	207	224

55. GENERAL

Figures have been rounded off to the nearest rupee, unless otherwise stated.



Iqbal Ali Lakhani
Chairman



Amir Ahmed Chapra
Chief Executive Officer



Muhammad Sohail
Chief Financial Officer



PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2021

INCORPORATION NO. K-206/5831
CUIN REGISTRATION NO. 0007464

Shareholdings			
No. of Shareholders	From	To	Total Number of Shares held
401	1	100	6,827
266	101	500	105,907
238	501	1,000	223,366
415	1,001	5,000	1,204,394
132	5,001	10,000	1,073,430
48	10,001	15,000	622,460
23	15,001	20,000	433,906
25	20,001	25,000	607,153
11	25,001	30,000	322,060
9	30,001	35,000	303,000
14	35,001	40,000	548,500
14	40,001	45,000	603,000
19	45,001	50,000	943,780
4	50,001	55,000	212,256
8	55,001	60,000	474,720
8	60,001	65,000	504,047
5	65,001	70,000	345,000
5	70,001	75,000	370,348
3	75,001	80,000	231,500
2	80,001	85,000	170,000
2	85,001	90,000	179,000
1	90,001	95,000	95,000
17	95,001	100,000	1,696,000
3	100,001	105,000	307,500
2	105,001	110,000	219,000
1	115,001	120,000	120,000
4	120,001	125,000	496,500
2	125,001	130,000	257,500
1	130,001	135,000	135,000
2	135,001	140,000	276,000
1	140,001	145,000	145,000
2	145,001	150,000	300,000
1	155,001	160,000	157,500

Shareholdings			
No. of Shareholders	From	To	Total Number of Shares held
1	170,001	175,000	170,500
2	175,001	180,000	355,500
1	190,001	195,000	195,000
5	195,001	200,000	1,000,000
1	200,001	205,000	204,070
2	220,001	225,000	446,000
1	230,001	235,000	232,000
1	260,001	265,000	263,000
2	345,001	350,000	700,000
1	485,001	490,000	487,000
1	640,001	645,000	642,000
1	675,001	680,000	677,000
1	850,001	855,000	854,500
3	995,001	1,000,000	2,998,000
1	1,185,001	1,190,000	1,189,000
1	4,605,001	4,610,000	4,609,464
1	5,600,001	5,605,000	5,603,000
1	7,810,001	7,815,000	7,814,318
1	9,055,001	9,060,000	9,058,976
1	12,345,001	12,350,000	12,348,212
1	17,090,001	17,095,000	17,091,204
1,719	Total		80,628,398

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	1,260,677	1.56
Associated Companies, undertakings and related parties	46,316,140	57.44
NIT and ICP	4,609,464	5.72
Banks, Development Financial Institutions, Non Banking Financial Institutions	385	0.00
Insurance Companies	50,000	0.06
Modarabas and Mutual Funds	642,000	0.79
Shareholders holding 10 %	38,498,392	47.75
General Public		
a. Local	22,617,948	28.06
b. Foreign	NIL	-
Others	5,131,784	6.37
NOTE: Some of the shareholders are reflected in more than one category.		

DETAILS OF PATTERN OF SHAREHOLDING AS AT JUNE 30, 2021

i)	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	SHARES HELD
1.	SIZA (Private) Limited	7,814,318
2.	SIZA Services (Pvt.) Limited	12,348,212
3.	SIZA Commodities (Pvt.) Limited	9,058,976
4.	Premier Fashions (Pvt.) Limited	17,091,204
5.	Sultan Ali Lakhani	241
6.	Shaista Sultan Ali Lakhani	334
7.	Fatima Lakhani	272
8.	Babar Ali Lakhani	1,093
9.	Bilal Ali Lakhani	234
10.	Danish Ali Lakhani	394
11.	Natasha Lakhani	862
ii)	MODARABAS AND MUTUAL FUNDS	
1.	CDC – Trustee National Investment (Unit) Trust	4,609,464
2.	CDC – Trustee Golden Arrow Stock Fund	642,000
iii)	DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN	
1.	Iqbal Ali Lakhani	Director 51,204
2.	Amin Mohammed Lakhani	Director 50,864
3.	Anushka Lakhani	Director 14,654
4.	Aftab Ahmad	Director 50,000
5.	Farrukh Shauket Ansari	Director 500
6.	Ahmed Munaf	Director 1,033,000
7.	Ali Asrar Hossain Aga	Director 60,000
8.	Ronak Iqbal Lakhani W/o. Iqbal Ali Lakhani	179
9.	Saira Amin Lakhani W/o. Amin Mohammed Lakhani	276
iv)	EXECUTIVES	NIL
v)	PUBLIC SECTOR COMPANIES AND CORPORATIONS	NIL
vi)	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL MODARABAS AND PENSION FUND	112,932
vii)	SHAREHOLDERS HOLDING 5% OR MORE [Other than those reported at i(1), i(2), i(3), i(4) and ii(1)]	
	Salim Habib	5,603,000
viii)	INDIVIDUALS AND OTHER THAN THOSE MENTIONED ABOVE	22,084,185
		<u>80,628,398</u>

NOTE: Some of the shareholders are reflected in more than one category.

FORM OF PROXY

I/We _____

of _____

a member of **M E R I T P A C K A G I N G L I M I T E D**

hereby appoint _____

of _____

or failing him _____

of _____

to act as my/our proxy and to vote for me/us and on my/our behalf at the Annual General Meeting of the Shareholders of the Company to be held on the 21st day of October 2021 and at any adjournment thereof.

Signed this _____ day of _____ 2021.

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of shares held	Signature

Witness 1

Signature _____

Name _____

CNIC No. _____

Address _____

Witness 2

Signature _____

Name _____

CNIC No. _____

Address _____

Notes:

- 1.The Proxy must be a member of the Company.
- 2.The signature must tally with the specimen signature/s registered with the Company.
- 3.If a proxy is granted by a member who has deposited his/her shares into Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
- 4.The instrument of Proxy properly completed should be deposited at the Registered Office of the Company situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi not less than 48 hours before the time of the meeting.

FORM OF PROXY

مختار نامہ (پراکسی فارم)

میں / ہم _____ ساکن
 بحیثیت رکن (ممبر) میرٹ پیکیجنگ لمیٹڈ مقرر کرتا / کرتی ہوں / کرتے ہیں مسلمی / مسماہ _____ ساکن
 کو یا ان کی غیر حاضری میں مسلمی / مسماہ _____ ساکن

کو جو خود بھی میرٹ پیکیجنگ لمیٹڈ کا رکن ہے کہ وہ بطور میرا / ہمارا مختار نامہ (پراکسی) میرٹ پیکیجنگ لمیٹڈ کے سالانہ اجلاس عام میں جو 21 اکتوبر 2021 کو منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں کرے اور وہ میری / ہماری جگہ میری / ہماری طرف سے حق رائے دہی استعمال کرے۔

مورخہ _____ ۲۰۲۱ کو میرے ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

دستخط

گواہ نمبر ۲

گواہ نمبر ۱

دستخط _____

دستخط _____

نام _____

نام _____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر _____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر _____

پتہ _____

پتہ _____

ہدایات:

- ۱۔ مختار (پراکسی) کا کمپنی کا رکن (ممبر) ہونا ضروری ہے۔
- ۲۔ ممبر (رکن) کے دستخط، نمونہ شدہ دستخط / اندارج شدہ دستخط سے مماثلت ہونا ضروری ہے۔
- ۳۔ سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ منسلک کرنا ضروری ہے۔ کارپوریٹ ادارے کے نمائندوں کو معمول کے مطابق دستاویزات ساتھ لانا ضروری ہے۔
- ۴۔ مختار نامہ (پراکسی فارم) مکمل پُر شدہ کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقرر وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرنا ضروری ہے۔

**“ONE WINDOW
SOLUTION”**

BOBST



DEPARTMENT OVERVIEW





COVID-19 RESPONSE

The coronavirus (COVID-19) is sweeping the globe and causing colossal damage to human lives. It has shaken the foundations of global economies and affected the everyday lives of all communities. The severity of this pandemic is unmeasurable and the impact is so vast and significant that it still keeps on affecting global society, environment and economy. In an effort to ensure health & safety of employees, the company abide by all the SOPs laid down by Government from time to time including; social distancing, wearing mask, work from home, training and awareness sessions and vaccination of employees. Despite all the challenges that MPL had faced, it has been trying to fulfill its dispatch's targets.



AZAADI CELEBRATION





MERIT PACKAGING LIMITED

A Lakson Group Company

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Tel: (92-213) 8892147, 1014, 1008,

website: www.meritpack.com | email: info@meritpack.com